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REPORT BY THE

Comptroller General

OF THE UNITED STATES

COMPLETED
ORIGINAL

VA Improved Pension Program: Some Persons Get More Than They Should And Others Less

Prior to June 17, 1980, about 35,000 needy veterans receiving Supplemental Security Income (SSI) benefits had to elect improved veterans pension benefits which went into effect January 1, 1979. In doing so, they could have received less in combined benefits from other programs for the needy, including Medicaid, even though their VA benefits would have been higher. As a result of legislation enacted on June 17, 1980, some needy veterans have a choice in this matter, but other veterans will still have to make an election if higher improved pension benefits will result.

Some couples who receive SSI and VA pensions receive more in benefits from these two programs than do other couples with similar or smaller incomes from other sources.

VA and the Social Security Administration coordinate the delivery of VA pension, social security, Federal Black Lung, and SSI benefits to needy veterans with non-service-connected disabilities. Better coordination could reduce inaccurate pension payments by about $14.5 million.

UNITED STATES GENERAL ACCOUNTING OFFICE

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AUGUST 6, 1980

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114859

The Honorable Ray Roberts
Chairman, Committee on
Veterans' Affairs
House of Representatives

The Honorable Alan Cranston
Chairman, Committee on
Veterans' Affairs
United States Senate

Pursuant to your request of November 3, 1978, this report describes undesirable features in the treatment of needy persons receiving improved pension and Supplemental Security Income (SSI) benefits. It also describes how the Veterans Administration (VA) and Social Security Administration currently coordinate the delivery of veterans' pension benefits, social security retirement and disability benefits, and SSI benefits to elderly and disabled persons.

At your request, the report was prepared in consultation with the Director of the Office of Management and Budget. The material in the report was discussed with VA and Department of Health and Human Services officials and their comments are incorporated where appropriate. In addition, the report contains recommendations to the Secretary of Health and Human Services and the Administrator of Veterans Affairs.

As arranged with your offices, we are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Health and Human Services; and the Administrator of Veterans Affairs. Unless you publicly announce its contents earlier, no further distribution of this report will be made until 30 days from the date of the report.

Elmer B. Staats
Comptroller General
of the United States

A

REPORT BY THE
COMPTROLLER GENERAL
OF THE UNITED STATES

VA IMPROVED PENSION PROGRAM: SOME PERSONS GET MORE THAN THEY SHOULD AND OTHERS LESS

DIGEST

The Congress hoped that the law improving pension benefits for needy veterans which went into effect January 1, 1979, would enable veterans and their survivors to receive benefits above the poverty level and help them avoid turning to welfare, such as the Supplemental Security Income program provides.

However, veterans with more than two dependents, and survivors and dependents receiving VA improved benefits are not paid at a rate above the poverty level. Also, about three of every four persons receiving both SSI benefits and a VA pension in December 1978 had not elected the new improved pension program through October 1979. Of those who had elected improved benefits, about one in four were still being paid SSI, even though they were receiving the higher benefits. (See ch. 2.)

Couples receiving both a VA pension and SSI benefits can sometimes receive greater SSI benefits if only the veteran's spouse files for SSI rather than if they file as a couple. This seems inequitable--a veteran's spouse, by filing as an individual, can enable a couple to receive greater combined VA and SSI benefits than can some other couples in which both individuals are eligible who have a similar or smaller total income from a source other than a Federal needs-based program. The following example shows how this is possible.

> Mr. and Mrs. X are married and have no income except for his VA pension and their SSI benefits received as a couple. Before electing improved pension benefits Mr. X received $212 a

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> month from a VA pension program, and they received from the SSI program a monthly total of $100.30--the total couple benefit of $312.30-$212.
>
> Mr. X opts for improved pension benefits and starts receiving $426.00--the payment rate for a veteran with one dependent and no income. However, this benefit amount would make them ineligible for SSI as a couple, since his income would exceed the SSI couple benefits. They terminate their SSI application as a couple, and Mrs. X files as an individual. She is eligible for the full SSI payment of $208.20 a month as an individual. Together they receive a total of $634.20 a month.
>
> Even without filing for improved pension benefits, Mr. and Mrs. X could increase their income if she filed as an individual. He would continue to receive $212 a month from his pension and her individual SSI benefit of $208.20 a month would total $420.20 rather than the $312.30 SSI couple's combined SSI and VA benefits.

Normally, when an individual eligible for SSI benefits resides with a spouse who is not eligible, the income of the ineligible spouse is included in determining the benefits of the eligible spouse. However, when determining the eligibility of a veteran's spouse filing as an individual for SSI, Social Security does not consider any portion of the veteran's pension benefit, nor does it consider any other income used in computing the veteran's pension, even though the veteran may have obtained a higher VA benefit by claiming the spouse as a dependent.

Since the Social Security Administration includes the VA pension benefit when determining if couples are eligible for SSI, the only consistent way to treat the VA pension benefit for all persons would be to include the pension as income to the veteran who is not eligible for SSI when determining the spouse's individual eligibility and then considering a portion of the pension as income to the spouse. (See pp. 14 to 19.)

The Social Security Act provides that upon notice by the Secretary of Health and Human Services, entitlement of veterans' pension benefits must be fully explored as an eligibility consideration for SSI benefits. Until recently, SSI recipients had to elect improved pension benefits if they were higher than veterans' benefits being received. GAO estimates that, before June 17, 1980, about 35,000 SSI recipients would have been terminated from SSI, if forced to elect improved pension benefits. These individuals, if they had elected higher VA benefits, could have lost not only their SSI benefits, but also their Medicaid benefits. The loss of both SSI and Medicaid assistance could have meant fewer benefits overall, despite higher improved pension benefits. (See pp. 19 and 20.)

The Social Security Administration has not notified any SSI recipients that they must file for improved pension benefits. It has been moving cautiously pending the outcome of legislation (enacted on June 17, 1980) which would give SSI recipients whose Medicaid benefits are directly related to their SSI eligibility, the option of not electing improved pension benefits. Now that such legislation has been enacted, SSI-pensioners in those States and the District of Columbia where Medicaid eligibility is not directly related to SSI eligibility should be notified to file for improved pension benefits. (See p. 21.)

VA and the Social Security Administration coordinate benefit information principally through automated data exchanges to assist each agency in determining individuals' eligibility and the accuracy of their benefits. The Social Security Administration furnishes social security benefit data annually to VA, whereas VA furnishes benefit information for the SSI program quarterly.

Some changes are needed in this coordination to improve the accuracy of VA's benefit payments and to eliminate the exchange of unnecessary records. GAO estimates that $14.5 million of inaccurate pension payments were made, principally in 1978, to pensioners incorrectly reporting benefits. They went undetected because VA did not use available data to verify benefit income reported.

VA provides the Social Security Administration about 5.1 million records not needed for the SSI program and unnecessarily requests social security benefit data for about 618,700 deceased veterans. (See ch. 4.)

RECOMMENDATIONS

The Secretary of Health and Human Services should direct the Commissioner of Social Security to immediately notify SSI-VA recipients residing in those States and the District of Columbia where Medicaid eligibility is not directly related to SSI eligibility that they must file for VA improved pension benefits and elect such benefits if they are higher than VA benefits presently being received. The Secretary should revise Health and Human Services regulations for the SSI program so that VA pension benefits received by a veteran ineligible for SSI will be counted as income to the veteran's spouse in determining the spouse's eligibility, and be allocated and treated in the same manner as other Federal benefits not based on need.

The Administrator of Veterans Affairs should:

--Use the Social Security Administration's annual data exchange information to identify and adjust pension payments to pensioners who did not report their social security benefits and have not yet been detected.

--Establish a data exchange to verify Federal Black Lung benefits and review other Federal benefit programs to determine the need for, and feasibility of, obtaining benefit information from other agencies.

--Stop providing records during the annual data exchange on veterans deceased more than 1 year.

Furthermore, GAO recommends that the Administrator of Veterans Affairs stop providing records during the quarterly exchange for pensioners who are not SSI recipients. In this regard, the Commissioner of Social Security should first provide VA sufficient information to identify those pensioners who are SSI recipients. The Administrator of Veterans Affairs and the Commissioner of Social Security should also take the necessary action to resolve identification problems in the annual data exchange which prevent benefit data on a large number of SSI-VA recipients from being provided to VA for use in verifying the accuracy of information being provided by pensioners. VA should ask the Social Security Administration to search its records for surviving spouses by using, when provided, a spouse's social security number.

AGENCY COMMENTS

Health and Human Services representatives generally agreed with the report's recommendations, but disagreed that the Secretary should revise Health and Human Services regulations relating to the treatment and allocation of VA pension benefits for a veteran's spouse. They believe that changing the regulation as GAO suggests would undercut other Federal programs based on need. (See pp. 22 to 25.)

VA concurred with the recommendations to establish a data exchange to verify Federal Black Lung and possibly other Federal benefits and to take necessary action to resolve identification problems in the annual data exchange. VA did not concur in the recommendation to stop providing records during the annual data exchange on veterans deceased more than 1 year, since VA believes that disclosures help identify the correct amount of VA benefits to be paid to surviving spouses. VA also disagreed with the recommendation to stop providing records during the quarterly exchange for pensioners who are not SSI recipients. Until a new interchange is implemented in early 1981, the Social Security Administration, in VA's opinion, could miss verifying benefits for many SSI-VA recipients. Finally, VA, in commenting upon the recommendation to use the SSA annual data exchange of information to adjust pension payments, cited several uses it made of the exchange data, but did not address the key point of whether it used the Social Security Administration benefit data to adjust its 1978 pension payments.

As a result of VA's disagreement, GAO examined further the detailed composition of the 618,700 deceased veterans' records in question. The examination showed that the veterans' records did not help the Social Security Administration locate the spouses' records. Furthermore, VA asked for and received deceased veterans' benefit amounts irrelevant to the VA benefit determinations in 1978 for the surviving spouses. (See pp. 38 and 39.) The present VA position on the VA-SSI quarterly interface seems to be a reverse of VA's previous position on this matter. If the Social Security Administration provides VA a current list of its SSI recipients, VA can annotate its records and limit the data it subsequently provides the Social Security Administration. Social Security can then accumulate the SSI records after annotation for later VA verification. (See pp. 39 and 41.)

ABBREVIATIONS

GAO	General Accounting Office
HHS	Department of Health and Human Services
OMB	Office of Management and Budget
SSA	Social Security Administration
SSI	Supplemental Security Income
VA	Veterans Administration

CHAPTER 1

INTRODUCTION

On November 3, 1978, the Chairmen of the House and Senate Committees on Veterans' Affairs asked us to report, in consultation with the Director of the Office of Management and Budget (OMB), on various aspects of the veterans' improved pension program and the social security retirement, disability, and Supplemental Security Income (SSI) programs for elderly and disabled persons. Specifically, the Chairmen wanted:

(1) A description of how the Veterans Administration (VA) and the Social Security Administration (SSA) currently coordinate the delivery of veterans' pension benefits, social security retirement and disability benefits, and SSI benefits to elderly and disabled persons.

(2) Recommendations for improving coordination among the programs referred to in paragraph (1), including legislation, if necessary, which would facilitate improved coordination.

(3) A description of inconsistencies, inequities, and/or undesirable features, if any, in the treatment of needy persons under the programs referred to in paragraph (1).

(4) An assessment of the feasibility and desirability of reconciling unjustifiable differences, if any, among the programs referred to in paragraph (1) in terms of such features as benefit structure, income counted in determining eligibility and the amount of benefits, limitations on assets, accounting period for determining eligibility, and other program features.

This report compares the newest of the VA pension programs (hereinafter referred to as the improved pension program) to the SSI program and sets forth the eligibility requirements for social security, generally considered the Old-Age, Survivors, and Disability Insurance program. It also describes how VA and SSA coordinate the delivery of VA pension benefits, social security, Federal Black Lung, and SSI benefits to needy veterans with non-service-connected disabilities.

Until the enactment of the Veterans' and Survivors' Pension Improvement Act of 1978, VA had two non-service-connected pension benefit programs--one now known as "section 306 pension" and the other referred to as "old-law pension." The improved pension program, effective January 1, 1979, provided restructured pension programs for needy wartime veterans who are permanently and totally disabled from non-service-connected causes or age 65 and older and needy survivors of wartime veterans.

The statutory formulation of the improved pension program was guided by certain VA recommendations made to eliminate inconsistencies, anomalies, or inequities with VA's previous non-service-connected disability pension programs. These recommendations sought to treat people in similar circumstances equally, to apply the same eligibility requirements to applicants, and to provide equal benefits to those beneficiaries whose circumstances (income and assets) are the same. Among the objectives the Congress hoped to achieve were that veterans and their survivors would be above the poverty level and they would not have to turn to welfare assistance, such as SSI.

Pension recipients are paid benefits from only one of three veterans' programs. Those in receipt of pensions on December 31, 1978, may continue to receive such pension as long as continued eligibility is shown, or may elect to receive improved pension benefits. Persons first eligible for pensions on or after January 1, 1979, may receive benefits only under the improved pension program. Together, these programs pay monthly benefits to about 1 million needy veterans and to 1.3 million needy survivors. Pension payments to these recipients (and for their dependents), which are funded through general revenue appropriations, amounted to about $3.6 billion in fiscal year 1979. Many of these recipients also receive benefits from one or more of the SSA programs.

SSA has three programs which pay monthly benefits to veterans and others who are aged or disabled or to their survivors and dependents. Monthly benefit payments are made under the social security, SSI, and Federal Black Lung programs. Social security provides most of the Nation's workers and their families with a basic level of income when workers become disabled, retire, or die. Its coverage is comprehensive, providing benefits to retired and disabled workers, spouses and former spouses, dependent children, and survivors.

The SSI program provides assistance to the needy aged, blind, and disabled. SSA's Federal Black Lung program provides benefits for totally disabled coal miners and their families or survivors.

VA data used for setting 1979 pension payment rates for those on the pension rolls as of December 31, 1978, show that about 1.5 million veterans or survivors were also receiving social security benefits and 112,000 were receiving SSI. Neither VA nor SSA had data to indicate the number of veterans or survivors also receiving SSA Federal Black Lung benefits.

IMPROVED PENSION PROGRAM

The improved pension program is intended to provide income assistance to needy, non-service-connected disabled, and elderly wartime veterans and the needy survivors of wartime veterans to afford them a reasonable measure of security so they can live their lives in dignity. As expressed in the Senate report on the program:

> "Pension benefits are awarded, not because of the needs arising directly from military service, but because the Nation owes a special obligation to those persons who took up arms in its defense during time of war. Pensions have been granted on the basis of some specified period of service plus other qualifications such as indigence, inability to perform manual labor, disability in some degree incurred after the termination of the war, the attainment of a certain age, or various combinations of those elements."

Persons on the pension rolls on December 31, 1978, can elect to receive improved pension benefits at any time or continue receiving benefits under the older law. Once an election is made, it becomes final after the first benefit check is cashed. Any veteran or survivor who elected to receive improved pension benefits before October 1, 1979, was eligible to receive benefits retroactive to January 1, 1979.

At the end of fiscal year 1979, about 230,000 veterans and their survivors were receiving improved pension benefits, averaging about $282 a month. This includes both those who have made the election as well as those who came on the rolls starting January 1, 1979.

SSI PROGRAM

The SSI program was enacted as part of the Social Security Amendments of 1972 (42 U.S.C. 1381) as title XVI of the Social Security Act and became effective January 1, 1974. The SSI program provides a Federal floor of income to the needy aged, blind, and disabled in the 50 States and the District of Columbia. Nationally uniform payment standards, eligibility requirements, and income and asset rules replaced the former federally assisted, State-administered public assistance programs for the aged, blind, and disabled.

Benefits are based on fixed rates established by law and are reduced by a recipient's wages and other countable income after disregarding certain specified amounts for earnings, as well as certain income from unearned sources. SSI benefits are funded through general revenue appropriations. In addition, States supplement Federal payments through State supplementation programs. States may choose to have SSA administer these supplementation programs. As of September 1979, there were about 1.9 million aged and 2.3 million blind and disabled individuals receiving benefits.

SOCIAL SECURITY PROGRAM

The Old-Age, Survivors, and Disability Insurance program is intended to assure that a basic level of family income will continue when workers encounter disability, old age, or death. Social security is one of the world's largest insurance programs. Nine out of 10 American workers--over 110 million people--pay social security taxes. These taxes go into trust funds and are used to finance benefits. Employees in covered employment are required to pay at the same rate (in 1979, 6.13 percent) up to the set maximum of wages earned (in 1979, $22,900). Employers must match the employee payments. The self-employed pay a higher rate.

As of September 1979, about 30.1 million retired workers and their dependents and survivors were receiving benefits. Also, at this time, there were about 4.8 million disabled workers and their dependents receiving benefits. Together, these benefits total about $9 billion monthly.

FEDERAL BLACK LUNG PROGRAM

Black lung claims are covered under title IV of the Federal Coal Mine Health and Safety Act of 1969 (30 U.S.C.

801), as amended. Part B of the act is administered by SSA, a component of the Department of Health and Human Services (HHS), formerly the Department of Health, Education, and Welfare 1/. Part B requires the Secretary of HHS to provide Federal Black Lung benefits to miners who are totally disabled due to pneumoconiosis and to eligible survivors of miners whose death was caused by pneumoconiosis. Pneumoconiosis refers to a class of diseases caused by inhaling such substances as coal dust, quarry dust, or textile fiber. As of September 1979, about 424,000 miners, widows, and their dependents were receiving benefits totaling $79.7 million monthly.

SCOPE OF REVIEW

We compared the improved pension program's eligibility requirements, benefits and their determinations, and other program features with the SSI program. These are discussed in chapter 2 and appendixes I and II. The social security and Federal Black Lung programs were not compared to the improved pension program since pension benefits do not affect the entitlement to these two programs. In addition, financial need is not a consideration for receiving benefits from these two programs. However, the eligibility requirements and program features for social security are shown separately in appendixes III and IV since many veterans also receive this benefit. We also examined the coordination between VA and SSA in their delivery of benefits. Our work was performed mainly at VA headquarters in Washington, D.C., and SSA headquarters in Baltimore, Maryland.

We obtained information from:

--A random sample 2/ of May 1979 records of SSI-VA pension recipients (both for those individuals who have elected improved pension benefits and those who did not).

1/On May 4, 1980, a separate Department of Education was created. The part of the Department of Health, Education, and Welfare responsible for activities discussed in this report became the Department of Health and Human Services.

2/See appendix XIV for estimation methodology.

- --A random sample 1/ of December 1978 VA pension records that VA provided SSA for annotation of social security benefit amounts and indication of Federal Black Lung benefits.
- --The United States Code.
- --The Code of Federal Regulations.
- --Program legislation.
- --Congressional reports.
- --SSA's Office of Research and Statistics and VA's Reports and Statistics Service.
- --GAO reports.
- --Reports and documents by the administering agencies.
- --Discussions with the administering agency personnel.

In April 1979 we requested comments from six veterans' organizations on any improved pension program features which they believe may be inconsistent, inequitable, or undesirable, especially regarding social security and SSI programs. Our letter and the replies received are included in appendixes X to XIII.

1/See appendix XIV for estimation methodology.

CHAPTER 2

VETERANS AND THEIR SURVIVORS ARE RECEIVING SSI AND IMPROVED VA PENSION BENEFITS

VA pension benefits were increased through the improved pension program so that veterans and their survivors would receive benefits above the poverty level and they would not have to turn to welfare. Through October 1979, for those SSI recipients who elected improved pension benefits, about one in four recipients were still being paid SSI.

Based on SSI program data through October 1979, we estimate that three out of four SSI recipients who were receiving a VA pension benefit in December 1978 did not elect improved pension benefits. One reason for the low volume of individuals electing improved pension benefits is the fact that election frequently does not result in higher VA benefits. Another possible reason is the loss of other benefits from programs related to SSI, such as Medicaid and food stamps. 1/

MOST VETERANS AND SURVIVORS RECEIVING SSI HAVE NOT ELECTED IMPROVED PENSION BENEFITS

Through October 1979, SSA estimated that 26,900 (about 24.5 percent) of the 109,600 SSI recipients who were also VA pensioners had opted for improved pension benefits--19,200 were terminated from SSI payment status, while 7,700 remained on the rolls. The other 82,700 SSI recipients receiving VA pension benefits had not elected improved pension benefits. Many of these individuals may be worse off financially if they elected improved pension benefits.

To determine whether those SSI recipients who did not elect improved pension benefits could receive a higher VA benefit under the improved pension program, we made an income analysis of a random sample of May 1979 SSI and VA

1/In three States (Massachusetts, Wisconsin, and California), SSI recipients receive an additional amount in their SSI check in lieu of food stamps. The State supplements the SSI payment specifically to add the cash value of the food stamps for which they were eligible. In these three States, SSI recipients receive the food stamp bonus value without being required to apply to another agency for a separate benefit.

pension records 1/. This analysis showed that 48,900 of 82,700 (59 percent) recipients who did not elect improved pension benefits, would have received higher VA pension benefits if they elected the improved pension benefits. These recipients may not be better off financially, however, when considering associated Medicaid benefits that may be lost if SSI eligibility ceases. The other 41 percent would not receive higher VA benefits because proportionately more of their income would be used to reduce the pension benefit under the higher improved pension program than under the prior law VA pension programs. 2/

Certain SSI recipients must file for improved pension benefits

The SSI program is distinct because it requires applicants and recipients, after notification, to file for any other benefits for which they may be eligible. Section 1611(e)(2) of the Social Security Act provides:

> "No person shall be an eligible individual or eligible spouse for purposes of this title if, after notice to such person by the Secretary [HHS] that it is likely that such person is eligible for any payments of the type enumerated in section 1612(a)(2)(B), such person fails within 30 days to take all appropriate steps to apply for and (if eligible) obtain any such payments."

Section 1612(a)(2)(B) defines unearned income which includes "any payments" received as

> "an annuity, pension, retirement, or disablity benefit, including veterans' compensation and pensions, workmen's compensation payments, old age, survivors, and disability insurance benefits, railroad retirement annuities and pensions, and unemployment insurance benefits."

1/See appendix XIV for estimation methodology.

2/Like the prior law programs, the improved pension program is based upon financial need, although the new program permits fewer exclusions in determining countable income. (See app. I for a detailed explanation.)

On June 17, 1980, Public Law 96-272 was enacted giving SSI recipients in States where Medicaid benefits are automatically provided based on SSI eligibility, an option to continue under the older VA pension program and remain eligible for SSI and Medicaid benefits. Recipients in these States who have already elected new pension benefits can now, after being notified, choose to disaffirm or reaffirm their earlier elections.

The SSI program provides benefits to supplement other income. Any other income sources available to an individual should be pursued so that SSI benefits are used only to close the gap between other income and the SSI guaranteed income level. Section 1611(e)(2) requires that other sources of income be tapped before using SSI benefits.

Thus, if an individual is eligible for higher benefits, such as under the improved pension program (except as provided under Public Law 96-272), these benefits must be obtained and counted as unearned income for SSI purposes. Also, the language of section 1611(e)(2) indicates that individuals who receive notice from the Secretary of HHS about potential eligibility must pursue a claim for the benefits as a condition of eligibility or continuing eligibility for SSI benefits.

SOME BENEFITS ARE BELOW THE POVERTY LEVEL

The VA improved pension benefits are higher than SSI Federal benefits since amounts paid to pensioners are designed to raise the income of veterans and their survivors above the poverty level and to prevent them from having to turn to welfare. This contrasts with SSI, which is a welfare cash assistance program that generally supplements other income.

A general comparison of veterans or survivors and their dependents improved pension benefits with the 1979 poverty level 1/ shows that veterans with more than two dependents and survivors and their dependents are paid at a rate less than the poverty level. Maximum veterans and survivors' benefits are higher than benefits provided SSI recipients when

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1/The Comprehensive Employment and Training Act of 1973, as amended, which is administered by the Department of Labor, specifies the use of a "poverty level determined in accordance with criteria as established by the Director of the Office of Management and Budget." The guidelines are made available to Federal agencies for use in selected programs.

considering just the basic maximum Federal SSI benefit. However, the pension benefits could be lower for individuals in States that have high SSI supplementation levels.

Benefit rates

A fundamental comparison of the monthly maximum benefits paid under the VA improved pension and SSI programs is shown in the following table. (For a more complete list of VA and SSI rates see apps. V and VI.) Benefits under both programs are automatically increased simultaneously and by the same percentage as the social security cost-of-living increases.

The States and the District of Columbia must supplement some and can supplement the basic Federal SSI rate and can either have SSA administer the supplementation payments or can administer the payments themselves. The supplementation payments vary significantly among the States. (See apps. VII and VIII.)

	Maximum monthly Federal benefit	
	Improved pension	SSI
Individual veteran	$325.17	$208.20
Individual widow(er)	217.92	208.20
Individual and eligible spouse	426.00	312.30

Some of the benefit rate differences noted during our review were:

- --An individual veteran's rate is increased by 31 percent (from $325.17 to $426.00) for the first dependent, including spouse. The SSI individual's rate is increased by 50 percent (from $208.20 to $312.30) for a spouse, but only if the spouse is also eligible.
- --The improved pension program provides additional benefits for each dependent after the first. (A dependent can be a veteran's spouse or child.) The SSI program does not pay benefits for children unless they are themselves eligible.
- --The improved pension program provides that the veteran or surviving spouse who is permanently

housebound by reason of disability 1/ or in need of regular aid and attendance 2/ receive a higher monthly benefit amount than a veteran or surviving spouse not so afflicted. The SSI program does not have any such provisions unless an essential person is involved. (See app. VI.)

Some improved pension rates are below the poverty level

One purpose for enacting the new improved pension program, as expressed in both the House and Senate Veterans' Affairs Committee reports, is to assure that veterans and their survivors will have an income level above the minimum subsistence level. The Senate report further specified that

> "* * * as a guide to determining the basic maximum annual pension rates ('income standards') - those applicable to a veteran who has no dependent family members and a veteran with one dependent family member - the Committee has adopted the poverty level guidelines published annually (in April) by the Department of Labor in the form of levels of income related to family size. These levels of income are used to establish basic eligibility for certain programs for economically disadvantaged persons, such as employment and training under the Comprehensive Employment Training Act (CETA). * * *"
>
> * * * * *
>
> "Those guidelines are based on the basic definition of poverty underlying the census

---

1/This requirement is met when the veteran or surviving spouse is substantially confined to his or her dwelling and the immediate premises or, if institutionalized, to the ward or clinical area, and it is reasonably certain that the disability and confinement will continue throughout life.

2/Need for aid and attendance means helplessness or being so nearly helpless to require the regular aid and attendance of another person. It includes patients in nursing homes.

data and are similarly adjusted annually by the increase in the Consumer Price Index. Prepared by and transmitted to the Department of Labor by the Department of Commerce, they are designed to guide Federal agencies in determining eligibility for particular programs and thus provide an appropriate measure of determining whether a pensioner is economically disadvantaged."

Neither report discussed a guideline for veterans with two or more dependents and survivors.

The following table shows a general comparison of current pension rates for veterans, their dependents, and survivors with the 1979 poverty level.

	Family size					
	1	2	3	4	5	6
Poverty guide for:						
Farm family	$2,910	$3,840	$4,770	$5,700	$6,630	$7,560
Nonfarm family	3,400	4,500	5,600	6,700	7,800	8,900
Pension benefits for:						
Veteran and dependents	3,902	5,112	5,772	6,432	7,092	7,752
Survivor and dependents	2,615	3,425	4,085	4,745	5,405	6,065

The VA amount for each dependent beyond the first increases at an annual rate of $660. The poverty level, however, increases at a greater rate for each additional dependent--$1,100 for a nonfarm family and $930 for a farm family.

Available VA data as of September 1979 show that the number of veterans with dependents, receiving improved pension benefits, totaled 48,398. A further breakdown was not available to show specifically how many veterans had more than two dependents. Earlier program data for the first 27,700 veterans receiving improved pension benefits showed that 2.8 percent of the veterans had more than two dependents. As of September 30, 1979, there were 83,408 survivors and survivors with dependents.

The Congress established the payment rates, as well as the methodology for revising the rates for cost-of-living increases. The rates shown for veterans and surviving spouses are increased for certain conditions, such as being housebound and needing regular aid and attendance. To the extent veterans with more than two dependents, or surviving spouses have those additional circumstances, they have a greater chance of receiving benefits exceeding the poverty level.

VA officials pointed out that in the VA proposal for pension reform of the non-service-connected programs, VA recommended that the pension rates be restructured to assure all veteran and surviving spouse pensioners incomes at the level of the national minimum standard of need. While VA's and other early versions of the reform proposals included rates for surviving spouses at or above the minimum standard, the House and Senate conferees who worked out the final version of the bill leading to the improved pension law, were aware that by limiting maximum rates for surviving spouses to only two-thirds of the rates for veteran pensioners, the surviving spouses would not be assured incomes at the minimum need standard.

CHAPTER 3

PROBLEMS RELATED TO THE SSI AND IMPROVED PENSION PROGRAMS

Veterans receiving improved pension benefits with a spouse receiving SSI benefits as an individual can receive more combined benefits from these two programs than other couples with similar or smaller total income but from sources other than a Federal program based on need. The higher benefits under the improved pension program bring renewed emphasis to what is essentially an SSI program problem for treating couples as individuals for purposes of SSI eligibility when one spouse is receiving Federal cash assistance based on need. The problem is still relatively small, but we believe it is likely to increase for veterans receiving improved pension benefits.

Another problem until the enactment of Public Law 96-272 on June 17, 1980, involved SSI recipients who were VA pensioners at the end of December 1978. Before enactment of that law, all SSI recipients, as a condition of eligibility, upon notice by the Secretary of HHS, had to apply for and, if eligible, receive whatever Federal or other benefits to which they were entitled. Thus, SSI recipients who were VA pensioners had to elect improved pension benefits if they wished to receive higher VA pension benefits. While this choice meant that many SSI recipients would receive higher VA benefits, it could also have meant the loss of SSI benefits as well as Medicaid benefits. The higher VA benefits may not have offset the lost SSI and Medicaid benefits. This would have made it undesirable for these recipients to elect improved pension benefits because they would have received less overall benefits than before. With the recent change in law notices will now have to be sent to advise SSI-VA recipients of the proper filing requirements.

SOME COUPLES ARE TREATED INCONSISTENTLY AND INEQUITABLY

Couples receiving both VA pension and SSI benefits can sometimes receive greater SSI benefits, if only the veteran's spouse files for SSI rather than if they both file. As a result, couples having one spouse file as an individual can receive greater SSI benefits than other couples (with both spouses being eligible) with similar or smaller income from a source other than a Federal program based on need, such as VA's pension program. SSA does not consider any portion of a veteran's pension benefit provided the veteran is ineligible for SSI, or any income used in computing the pension amount, to be counted as income to the veteran's spouse for SSI purposes, even though the veteran frequently receives an incrementally higher VA benefit because the veteran has a dependent spouse. Yet, SSI recipients with a spouse who is not eligible for SSI benefits, but who has income from an unearned source other than from need-based Federal assistance, generally will be assessed a portion of the ineligible spouse's income, as if they filed as a couple. 1/

Married SSI recipients who are also receiving VA pension benefits, or receiving other program assistance based on need, can apply for SSI as a couple or one spouse can file as an individual. However, when both spouses are eligible for SSI, they cannot both file as individuals. (Married individuals receiving SSI benefits as an eligible couple, can terminate their benefits as a couple and one spouse can refile as an individual.) Normally, filing as a couple would be more beneficial since couples are paid at a rate 1-1/2 times the individual rate and, therefore, have a higher base against which countable income is applied. Other considerations for the couple in choosing if

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1/In computing SSI benefits for couples, income to be allocated to the SSI eligible individual from an ineligible spouse is first reduced by an allocation for each child (under 21 and neither blind nor disabled) in the household. If the remaining quarterly income of the ineligible spouse does not exceed one-half the quarterly benefit rate for an eligible individual, there is no income allocated. Where the remaining income of the ineligible spouse exceeds one-half the quarterly benefit rate for an eligible individual, all of the remaining income will be allocated to the eligible individual. The allocated income will be combined by income type (see app. I) with the eligible individual's types of income, and exclusions will be applied. Then, the quarterly countable income will be subtracted from the quarterly payment amount for an eligible couple and the remainder is the eligible individual's quarterly benefit rate. In no case will a payment to an eligible individual exceed the amount that he or she would have received if he or she was not subject to the allocating procedure.

both spouses should file include lost Medicaid eligibility and lost SSI State supplementation payments for the spouse not filing. However, it can be beneficial to have one spouse file for SSI benefits when the other spouse has a VA pension benefit or other Federal program assistance based on need.

The Social Security Act specifically states that veterans' pension benefits are includable as income for individuals and couples eligible for SSI benefits. However, for couples with one spouse not eligible for SSI benefits, section 1614(f)(1) of the act states:

> "For purposes of determining eligibility for and the amount of benefits for any individual who is married and whose spouse is living with him in the same household but is not an eligible spouse, such individual's income and resources shall be deemed to include any income and resources of such spouse, whether or not available to such individual, except to the extent determined by the Secretary to be inequitable under the circumstances."

In computing benefits for the eligible spouse, SSA decided not to count any portion of need-based Federal assistance, such as VA pension benefits being received by the spouse not eligible for SSI. Its reason for this treatment is expressed in the January 18, 1977, Federal Register:

> "The regulations (§416.1185(d)) provide that certain items of income will not be included in the deeming process. Several of these items are statutory exclusions adopted from title XVI or other statutes (e.g., Food Stamp Act of 1965). Assistance based on need and income based on need will not be included as income to be deemed nor will the income used to determine the eligibility and amount of the need-based payments be included because to do so would be indirectly requiring the other assistance program to support an SSI recipient. Any in-kind support and maintenance (food, clothing, and shelter) furnished to the ineligible spouse, parent or spouse of a parent, if any, and

> any ineligible children in the household will not be considered as deemable income under this section." (Underscoring supplied.)

The following example illustrates how a couple can take advantage of improved pension and SSI benefits:

> Mr. and Mrs. X are married and have no income except for his VA pension benefit and their SSI benefits received as a couple. Before electing improved pension benefits, Mr. X received $212 a month from a VA pension program, and they received from the SSI program a monthly total of $100.30 ($312.30-$212.00).
>
> Mr. X opts for improved pension benefits and starts receiving $426.00--the payment rate for a veteran with one dependent and no income. However, this benefit amount would make them ineligible for SSI as a couple, since his income would exceed the SSI couple benefits. They terminate their SSI application as a couple, and Mrs. X files as an individual. She is eligible for the full SSI payment of $208.20 a month as an individual. Together they receive a total of $634.20 a month or about $7,600 annually.

Even before electing improved pension benefits, the couple could increase their benefits from the two programs by having the spouse without the VA pension benefit file for SSI as an individual. Under this method, the couple could receive from their VA and SSI benefits $420.20 a month ($212.00 VA pension and $208.20 SSI individual benefits) rather than $312.30 a month.

This example could be more complex if the couple resided in a State which based Medicaid on SSI eligibility. Furthermore, an eligible SSI individual could receive additional State supplementation payments, bringing total annual benefits to over $7,600. Veterans no longer receiving SSI benefits can lose eligibility for Medicaid. The resulting loss of Medicaid benefits for the veteran may outweigh the increased pension benefits.

We believe the current treatment of veterans' pension benefits for an ineligible spouse is inequitable for several reasons. Married veterans receiving improved pension benefits receive an incremental portion of their benefits because they have a dependent spouse. Yet, SSA does not consider any portion of an ineligible veteran's pension benefit to be counted as SSI income to the veteran's spouse. For example, the maximum improved pension benefit payable monthly for a veteran without a dependent is $325.17; however, for a veteran with a dependent spouse it is $426.00. In both instances, SSA considers the total amount to be the veteran's. Thus, the veteran's spouse, if eligible for SSI with no income, would receive the full individual SSI monthly payment of $208.20.

This greatly differs with married veterans who apply for SSI as a couple. Because the Social Security Act specifically provides that veterans' pension benefits be includable as unearned income for eligible individuals and couples, the monthly VA pension payment ($426.00 for a veteran with a dependent spouse) is considered in its entirety in computing SSI benefits for the couple. Since the $426.00 exceeds the maximum SSI payment for a couple, unless State benefits supplemented the $312.30 SSI couple rate, they would not receive SSI benefits.

Normally, when an individual eligible for SSI benefits resides with a spouse who is not eligible, the income of the ineligible spouse is included in determining the benefits of the eligible spouse. The basis for the SSI statutory provision for allocating income from the ineligible spouse to the eligible individual lies in the concept that husband and wife living together generally have a responsibility for each other and share income. Thus, some portion of a Federal benefit not based on need, such as social security, is allocated from the ineligible spouse to the eligible individual.

SSA program data show that 26,900 SSI recipients had elected VA improved pension benefits through October 1979. We analyzed a sample 1/ of May 1979 records of SSI recipients who had elected improved pension benefits to determine the SSI filing status for veterans with spouses. Based on this analysis, we estimate that, of the 26,900 veterans who elected improved pension benefits:

--250 had a spouse receiving SSI as an individual.

1/See appendix XIV for estimation methodology.

--300 became ineligible for SSI as a couple. (The veteran's spouse's record indicates little or no income. If the spouse filed for SSI as an individual, the spouse would be eligible.)

--600 were receiving SSI as a couple.

These numbers are small, but are likely to increase in the future. We estimate as many as 34,900 SSI recipients may shortly have to elect improved pension or become ineligible for SSI. Other veterans with spouses, who started to receive improved pension benefits from January 1, 1979, may not realize that their spouse can file for SSI as an individual.

We analyzed a sample 1/ of May 1979 SSI recipients who were also receiving VA pension benefits, but did not elect the improved pension program. Based on this analysis, we estimate that in a benefit month after the sample month, 6,800 veterans were receiving SSI as a couple, and 200 veterans had a spouse receiving SSI as an individual. We did not determine how many veterans and their spouses were ineligible for SSI as a couple, but the spouse may be eligible as an individual.

SSI MUST NOTIFY SSI-VA RECIPIENTS OF FILING REQUIRMENTS FOR IMPROVED PENSION BENEFITS

The Veterans' and Survivors' Pension Improvement Act of 1978 gave persons who were receiving pension benefits as of December 31, 1978, the choice of continuing to receive pension benefits under the older pension programs or switching to the improved pension program. The improved pension program provides higher maximum benefits but allows fewer exclusions from income. However, some VA pensioners who are also SSI recipients do not really have a choice.

Before enactment of Public Law 96-272, the Social Security Act provided that entitlement to veterans' pension had to be fully explored as an eligibility requirement for SSI benefits, which meant SSI recipients had to elect improved pension benefits if higher than VA benefits being received. The problem for these recipients was that, once they elected higher VA benefits, they could lose not only their SSI benefits, but also their Medicaid benefits. Eligibility for Medicaid is directly related to SSI

1/See appendix XIV for estimation methodology.

eligibility in some States. The undesirable aspect of requiring SSI recipients to elect higher VA benefits was that the higher benefits might not offset lost SSI and Medicaid benefits.

For example, an SSI recipient who is also a veteran's widow could be receiving $208.20 per month in SSI and veteran's pension payments. If her monthly medical bills are $30 and she lives in a State which provided Medicaid coverage based on SSI eligibility, her monthly medical bills would be paid. However, if she had elected new VA improved pension benefits, she would have received only a $217.92 VA pension and would have been ineligible for SSI and Medicaid. Consequently, she would have been financially worse off because she would be receiving only the $217.92 instead of $238.20 ($208.20 and $30.00). However, with the enactment of the new law, she can now disaffirm her earlier election.

Through October 1979, 82,700 SSI recipients had not elected improved pension benefits. Based on a sample 1/ of records of SSI recipients in May 1979, we estimate that 48,900 or 59 percent of the 82,700 recipients would have received a higher VA pension if they had elected improved pension benefits. Furthermore, based on SSI experience with those pensioners who have already elected improved pension benefits, we estimate that about 14,000 of the 48,900 SSI recipients who would have received a higher VA benefit under improved pension would have continued to receive SSI benefits. The other 34,900 SSI recipients, if forced to accept improved pension benefits, would have been terminated from SSI. However, not all of these recipients would have lost Medicaid benefits.

In 16 States, known as "categorically eligible" States, Medicaid eligibility is directly related to SSI eligibility. Thus, when SSI eligibility ceases, Medicaid eligibility also ceases. In the other States, Medicaid eligibility is not directly related to SSI eligibility and, therefore, being ineligible for SSI does not necessarily mean being ineligible for Medicaid. Furthermore, with the enactment of Public Law 96-272 on June 17, 1980, SSI recipients in the categorically eligible States now have the choice of continuing under the older VA pension program, and therefore, remaining eligible for SSI and Medicaid benefits. (App. IX lists the States and their relationships between SSI and Medicaid.)

1/See appendix XIV for estimation methodology.

SSA has been moving cautiously in notifying SSI recipients who are receiving veterans' pension benefits of the SSI requirements about filing for the improved pension benefits. Initially, its reluctance stemmed from a question as to the legality of requiring an individual to file for benefits if the individual would be worse off financially. However, HHS' Office of General Counsel on November 1, 1979, gave its opinion that notice must be given to these recipients of the filing requirements and upon receipt of the notice, SSI recipients must take all steps necessary to comply with them. SSA has postponed notifying any recipients that they must file for improved pension benefits, pending congressional action on legislation recently enacted as Public Law 96-272.

One adverse consequence of not having notified any of the SSI-VA recipients that they must file for improved pension benefits is that any recipient who must now elect will have lost retroactive (to January 1, 1979) improved pension benefits. Retroactive benefits were possible for those pensioners electing improved pension benefits before October 1979.

CONCLUSIONS

SSA should immediately notify SSI-VA recipients in those States and the District of Columbia where Medicaid eligibility is not directly related to SSI eligibility that they must file for improved pension benefits. They should be advised that an election must be made if higher VA benefits will result from such election.

There are inequities in SSI's treatment of VA pension benefits for couples in which the veteran's spouse files for SSI as an individual. No portion of the veteran's pension benefit is counted in determining the spouse's SSI benefit even though the veteran receives an incrementally higher VA pension because of the dependent spouse. The problem involves all VA non-service-connected pension programs, but especially improved pension benefits since benefits are significantly higher than previous programs.

Such practice is inconsistent with SSI's treatment of couples when both spouses file for benefits. Furthermore, it seems inequitable when compared to the SSI practice of counting some portion of an ineligible spouse's non-need-based income when determining the benefit for a spouse who is potentially eligible for SSI.

RECOMMENDATIONS

We recommend that the Secretary of HHS direct the Commissioner of Social Security to immediately notify SSI-VA recipients residing in those States and the District of Columbia where Medicaid eligibility is not directly related to SSI eligibility that they must file for VA improved pension benefits and elect such benefits if higher than the VA benefits presently being received.

We also recommend that the Secretary of HHS revise its regulations for the SSI program so that VA's pension benefits being received by a veteran not eligible for SSI will be counted as income to the veteran's spouse who is eligible and be allocated and treated in the same manner as other Federal benefits not based on need.

AGENCY COMMENTS AND OUR EVALUATION

HHS, OMB, and VA officials met with us and commented on a draft of this report. They generally agreed with our recommendation to notify certain SSI-VA recipients to file for improved pension benefits and elect such benefits if higher than the VA benefits presently being received.

In regard to our recommendation that the Secretary of HHS revise its regulations for the SSI program for the treatment and allocation of VA's pension benefits for a veteran's spouse, HHS representatives disagreed that the regulations should be revised. They said that if such benefits were considered, the other program would, in effect, contribute to the support of the SSI recipient. Thus, they believe it should be exempted to avoid undercutting other Federal needs-based programs. HHS officials raised the question of whether the recommendation--which would have the effect of reducing benefits--might contradict the intent of recent legislation to increase benefits to VA pensioners.

After our meeting, it came to our attention that SSA officials from two regional offices had previously questioned HHS' regulations on this matter. In corresponding to SSA headquarters in late 1979, one official stated that:

> "While the statute providing for the program payments from other sources determines how that income is allocated, it is inequitable that the

source of income determines whether it is included in deeming. Since the purpose of SSI is to assure a minimum standard of income, it seems incongruous that one couple should be eligible for a $312.30 [monthly] Federal payment while another receives $700, $800, or $1,000 [monthly] solely because one member of a couple has income from an excludable source.

"While we appreciate that the purpose of the exclusion is to avoid defeating the purpose of other assistance programs, our existing policy not only protects other program rights but results in a form of welfare double-dipping which establishes income levels far in excess of those intended by SSI or other assistance programs.

"In a day when so much attention is aimed at efficiency of government and cost-effective programs, we would indeed be in hot water if the public had a broader understanding of this policy. * * * "

The other regional official said:

"* * * I believe there needs to be an evaluation of the impact of VA pensions in terms of the principles and philosophy of the SSI program. It seems to me that there is something inherently wrong when similarly situated family groups can be treated so differently because their 'source of income' differs. If Mr. [name deleted] income was title II [social security], or VA compensation, the couple would be ineligible for SSI. Because it is a VA pension, Mrs. [name deleted] is now eligible for $208.20 and total family income is $634.00. As the DO [district office] states, it would be most difficult to justify this differential treatment.

"If Mr. [name delete] increase in VA benefits (as a result of the recent augmented VA benefit computation, which we understand includes an amount for the needs of his spouse) is in any way representative of others in similar circumstances, then we need to take prompt action.

> Having made the decision to exclude VA pensions as assistance based on need, I think SSA failed in its responsibility to current recipients. When the regulations were adopted, it was incumbent upon SSA to conduct an outreach on any case where the SSR [Supplemental Security Record, the SSI master record] reflected VA pensions.
>
> "To my knowledge, this was not done. Had it been, the [name deleted] would have been able to make their choice at the outset. As it stands, this couple lost 9 months of increased payments due to administrative finality."

In January 1980, SSA responded to the inquiries.

> "* * * You expressed concern about this policy because relatively high incomes are possible along with continued supplemental security income (SSI) eligibility when this exclusion is applied under certain circumstances. The policy governing excluding needs-based assistance and income from SSI deeming has been reviewed. We plan to retain this policy, as currently expressed, although we recognize that apparently inequitable results may occur in some cases when this policy is applied. * * *"

We believe the SSI program should consider for couples, all income from Federal sources in arriving at the benefit amount, particularly when one spouse is ineligible. The basis for our belief is that generally a married couple live together and have a responsibility for each other and share income. If other sources of income are available to an individual, they should be considered so that SSI benefits are used only to fill in the gap between the other income and the SSI guaranteed income level.

The Social Security Act mandates that VA pension benefits be counted as a dollar for dollar reduction in SSI benefits when an eligible individual or eligible couple have these benefits. VA pension benefits that are received by SSI recipients come from VA needs-based pension programs. The Congress did not view this as an undercutting of the VA pension programs, nor does it now, even with the most recently enacted legislation creating the VA improved pension program. Consequently, we believe it is appropriate under these concepts to consider the Federal assistance income of the spouse who is ineligible for SSI in determining the benefit amount of the spouse who is eligible.

CHAPTER 4

BETTER COORDINATION COULD IMPROVE BENEFIT DELIVERY

VA and SSA coordinate benefit information principally through automated data exchanges to assist each agency in determining the continuing eligibility of recipients and the accuracy of their benefits. VA and SSA also refer applicants to each other to assist the applicants in receiving all benefits and services to which they are entitled.

We examined automated data exchanged in January 1979 and determined that an estimated $14.5 million of inaccurate benefit payments were made principally in calendar year 1978 because VA (1) did not obtain accurate SSA benefit data from pension recipients, (2) did not receive available benefit information from SSA, (3) did not request and obtain Federal Black Lung benefit amounts, and (4) pensioners incorrectly reported SSI payments as social security benefits. We also noted that VA provided unneeded records to SSA, requested unneeded data from SSA, and had not fully used data provided by SSA.

VA RECEIVES SOCIAL SECURITY BENEFIT DATA ANNUALLY

The accuracy of VA's pension payments is dependent upon recipients properly reporting their income. Income data and other circumstances affecting eligibility or benefit amount are generally provided by the recipients when they respond to the VA annual income questionnaire. The questionnaire is returned at the end of the calendar year, and income and benefit information reported is used, in part, to determine the accuracy of the payments made that year. Before 1977, VA had no systematic method for independently verifying on a large scale basis income information on these questionnaires, such as social security benefits. 1/ VA statistics show that about 75 percent of its pensioners receive social security benefits.

In September 1976, the Congress enacted legislation specifically mandating that Federal agencies provide, at VA's request, information needed to determine or verify eligibility or benefit amounts. In December 1977 and January and June 1979, data exchanges occurred in which SSA provided VA with selected social security benefit data to verify social security benefits reported by pensioners. The June 1979 exchange was limited to VA recipients of benefits under the new improved pension program.

For each exchange, VA provided SSA magnetic tapes of extracted pension records for each veteran and spouse. The data on the extract record consisted of identifying information--such as beneficiary name, sex, date of birth, and social security and claim numbers. Using the identifying information, SSA searched its records for the individual. When SSA located the individual, it provided VA, to the extent possible, the following data: verified social security number, latest monthly social security benefit amount, supplemental medical insurance deduction, latest monthly benefit paid, ledger account file code, 2/ and date of birth. In addition, for the January 1979 exchange, SSA notified VA of individuals receiving SSA's Federal Black Lung benefits.

1/Pre-1977 VA procedures for income verification under 38 U.S.C. section 506(a) (1976), authorized VA to "require from any person applying for, or in receipt of, pension thereunder such information, proofs, or evidence as the Administrator desires in order to determine the annual income and the corpus of the estate of such person." VA field station personnel of the Department of Veterans Benefits were provided procedural directives delineating the circumstances warranting submission by pensioners of third-party verification of annual income. Similar authority and directives are currently in effect. Also, selected benefit data were obtained from SSA prior to 1977, subject to certain Privacy Act limitations.

2/A code which indicates whether benefits were currently being paid.

VA informed us that it used the December 1977 SSA data to update its records and adjust, where appropriate, pension benefits. However, VA did not maintain statistics on the number of pension or dollar adjustments. Also, VA informed us that it did not use the data from the January 1979 exchange to adjust pension benefits primarily because the data were received after the annual income questionnaire processing had started. In addition, implementation of the improved pension program and a change in data processing equipment had begun.

We examined the January 1979 exchange and found that SSA provided benefit data for veterans and/or spouses on 1.26 million active claims. 1/ To determine whether pensioners accurately reported the receipt of social security benefits, we analyzed a sample of records and estimate that for 161,600 claims the veteran and/or spouse did not report to VA the benefits they were receiving under social security. We also estimate that there were 10,300 claims where this nonreporting caused VA to make $9.6 million in pension overpayments for 1978. VA could have detected the overpayments had it used the January 1979 data provided by SSA.

In addition, there were 112,300 claims for which SSA did not provide any data for two reasons--SSA did not search its records using all social security numbers provided by VA or SSA believed the person on its record was not the same person on the VA record. We sampled 2/ the claims and estimate that 103,500 persons were the same on both records (76,200 of them were receiving social security benefits). We estimate that 11,000 persons (14 percent of the 76,200) did not accurately report their social security benefits to VA, thus resulting in undetected VA pension overpayments of $1.7 million and underpayments of $0.3 million for 1978.

SSA could have provided benefit data for more persons had it searched its records using all social security numbers provided by VA. When available, VA provides SSA both the veteran's and spouse's social security numbers. However, when SSA searches its records for a spouse, it uses, in most instances, the veteran's social security number because it assumes that the veteran's number is the account

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1/Claims are accounts under which VA pays benefits to veterans or survivors and dependents.

2/See appendix XIV for estimation methodology.

under which the spouse is receiving social security benefits. Therefore, if the spouse is receiving benefits from SSA under the spouse's social security number, SSA does not provide VA with the SSA benefit data.

Besides the social security number, SSA uses four identifying characteristics--name, date of birth, sex, and beneficiary identification code--to determine whether the records are for the same person and requires that three of the four characteristics match before providing VA with benefit data. However, one of the characteristics--SSA beneficiary identification code--is not on the VA master record because SSA never provided it, and therefore it cannot be used to match SSA records. Accordingly, if any one of the three remaining characteristics is not the same on both records, SSA assumes the persons to be different and does not provide VA any data from its records. In making our determination, we considered social security number, name, address, date of birth, and other family members' names and dates of birth to determine whether the pensioner on both records appeared to be the same. This comparison showed that SSA could have provided SSA benefit data on about 103,500 of 112,300 claims for which it did not provide data to VA.

Additionally, VA requested that SSA furnish any available data for an estimated 620,100 known deceased veterans. The survivors of these veterans were currently receiving VA pension benefits. SSA codes the information provided on deceased individuals to alert VA that the benefits are not being paid currently. However, SSA does not indicate when the person's social security payments stopped. VA, therefore, ignores benefit data reported by SSA with such codes. In cases where the social security payments ceased prior to the beginning of the calendar year for which VA is verifying benefits, ignoring the benefit data has no effect upon the pension payments. However, if the benefits stopped during the calendar year, VA should know when they stopped because of their possible effect on VA pension payments. Of the 620,100 known deceased veterans, we estimate 1/ that only 1,400 veterans died during the calendar year for which VA was trying to verify benefits and the other 618,700 veterans had died previously.

1/See appendix XIV for estimation methodology.

VA requested social security benefit information for individuals receiving improved pension benefits only, and SSA furnished available information in June 1979. VA data show that SSA provided benefit information on 34,068 claim records. For 23,778 records, the social security benefit amount coincided with the amount in the VA record, as reported by the recipient. However, for 7,271 records, the social security benefit amount was greater than the amount on the VA record and for 3,018 records, the social security amount was less than the VA amount. VA told us it was attempting to resolve the differences.

SSA RECEIVES VA PENSION DATA QUARTERLY

The SSI program experienced many payment errors because SSI recipients provided inaccurate or incomplete information. To help detect and avoid many of these payment errors, SSA in September 1976, began obtaining, on a quarterly basis, automated compensation and pension benefit information directly from VA. To date, this information has enabled SSA to detect erroneous information and avoid overpayments of an estimated $111 million and underpayments of about $19 million to SSI recipients.

VA furnishes data on all 5.2 million persons receiving VA compensation and pension benefits. SSA compares the VA information with data in its SSI records and adjusts the SSI payments, if necessary.

Since only about 120,000 SSI recipients receive VA benefits, it is not necessary that VA provide data on 5.2 million persons. In a previously issued report, 1/ we pointed out that SSA should consider developing a mechanism for obtaining information only for SSI recipients who are receiving VA benefits. At that time, SSA advised us that it was studying a system under which VA would place an indicator code in its master records for individuals who receive SSI benefits. The indicator code, added to VA's records in 1977, was intended to limit the number of records provided by VA. However, VA has not used the indicators to limit the number of records it sends to SSA. If VA used the indicators, it would be necessary to send SSA only about 120,000 records. Procedures could also be established to periodically update the VA records with SSI indicators.

1/"Privacy Issues and Supplemental Security Income Benefits" (HRD-77-110, Nov. 15, 1977).

SOME PENSIONERS ARE IMPROPERLY REPORTING TO VA THEIR SSI BENEFITS

For the May 1979 quarterly data exchange, there were 102,161 persons receiving both VA pension and SSI benefits. We sampled 1/ the VA and corresponding SSI records for these people to determine whether they were confusing their SSI benefits with social security when they reported their income on VA's annual income questionnaire. By reporting SSI benefits as social security benefits, pensioners will generally be underpaid by VA. Based on our sample, we estimate that about 2,100 pensioners were underpaid about $892,000 annually--$796,000 in 1978 for pensioners not electing improved pensions and $96,000 in 1979 for pensioners electing improved pensions. Furthermore, for about 1,140 of these pensioners, VA had data available showing the pensioners were not receiving social security benefits. This information had been provided to VA in the January 1979 data exchange because SSA had notified VA that the pensioners were not receiving social security benefits. However, since SSI benefits are reduced by VA pension amounts, any increase in such pensions generally results in a corresponding decrease in SSI benefits. Even though this has little or no effect on the net amounts these recipients receive, the programs are not being properly charged for payments made.

VA does not record SSI benefit information in its master records, since such benefits are excluded from income in determining pension benefits. However, VA does record social security benefit amounts obtained from the annual data exchange. In its instructions for completing the annual income questionnaire, VA specifically cautions beneficiaries not to report their SSI benefits as social security. However, until recently, VA, in calculating its pension payments, used the amount reported by the recipient if it was higher than the benefit reported by SSA. Consequently, when pensioners reported their SSI benefits as social security, VA accepted the pensioner's statement and included the SSI benefit in the annual income and underpaid the pensioners.

1/See appendix XIV for estimation methodology.

EFFORT TO IMPROVE VA AND SSA COORDINATION

In June 1978, SSA in cooperation with VA began an enumeration process to improve the data in about 255,000 VA master records. This process involved the assigning of new social security numbers, where necessary, and verifying existing numbers by correcting personal identifying information, such as name and date of birth. Application forms for social security numbers were sent to the beneficiaries with instructions to submit completed forms and supporting documents to their local SSA district office for review. Later, the applications were forwarded to SSA headquarters, converted to computer tapes, and sent monthly to VA. As of October 1979 SSA had processed 97,177 applications and forwarded them to VA. This process will not only provide VA with correct data for its records, but also should improve the accuracy of VA and SSA benefit payments.

VA NEEDS TO ESTABLISH DATA EXCHANGES WITH OTHER FEDERAL BENEFIT PROGRAMS

There are other Federal benefit programs whose payments affect VA pensions, such as Federal Black Lung, Office of Personnel Management (Civil Service Retirement benefits), and Railroad Retirement. However, VA has not established data exchanges with such organizations.

During the January 1979 annual data exchange, SSA notified VA as to whether individuals received SSA Federal Black Lung benefits. The notification did not include any black lung payment information. There were about 5,100 records for which SSA noted the receipt of black lung payments.

We sampled 1/ the 5,100 records and examined the black lung case files to determine whether the individuals had accurately reported their 1978 benefits to VA. Our examination showed that many individuals did not accurately report their benefits. We estimate that, for 2,000 cases (39 percent), the veteran and/or the veteran's spouse had not accurately reported black lung benefits, resulting in VA annual overpayments of about $2 million.

1/See appendix XIV for estimation methodology.

VA AND SSA COORDINATE THE DELIVERY OF BENEFITS

VA and SSA in their roles as service agencies try to assist applicants in obtaining other benefits to which they may be entitled. However, no formal mechanism exists for monitoring, controlling, and following up on an applicant's potential entitlement to benefits from both agencies. It is the applicant's responsibility to file for benefits. Neither VA nor SSA had data available to indicate the extent or effectiveness of any referrals.

The SSI program is different from the other programs because its applicants are required to file for all other benefits for which they may be entitled. The SSA district office, where applicants file for SSI, has the responsibility for determining the likelihood of potential eligibility for other benefits, notifying the applicants that they must file for such benefits and referring them to other agencies (such as VA for pension benefits), and assisting the individual as necessary in complying with the requirement that the applicant file for any benefits for which they may be eligible. At such time, it furnishes the individual with a dated written notice explaining the individual's responsibilities. Generally, an individual who fails to apply for other benefits within 30 days of being notified, is not eligible for SSI payments.

A recently completed appraisal 1/ of the effectiveness of SSA's referral by HHS' Office of the Inspector General provides some insight into SSA's referral effectiveness.

> "Most referrals made in Social Security offices are not made for services. Instead as mandatory part of the eligibility and benefit determination process, they are made to ensure that clients do not receive SSI payments for which they are not entitled. In this regard, referral activity is a service to the taxpayer more than to the client.

1/A November 1979 draft report of a service delivery assessment entitled, "Information and Referral Services for Supplemental Security Income Recipients."

> "When referrals are made for services or additional income supports, it is a client's question of a very obvious need that triggers the action. Only rarely do service staff probe to find service needs not brought to their attention."

The service delivery assessment, based primarily on site visits to nine district and branch offices, also included the following comments on social security beneficiaries.

> "Title II beneficiaries represent people who have qualified for Social Security benefits through payroll contributions and have met the age level specified by the entitlement provisions of the law. * * * The great majority of them do not expect referrals to other service agencies and could easily be offended if they were made.
>
> "This orientation does not mean that many of these individuals could not benefit from other services. * * *"

We previously issued a comprehensive report on referral activities of 11 Federal agencies, including VA and SSA. 1/ Our report concluded that Federal agencies are heavily involved in funding information and referral services. Attempts have been made to consolidate these activities and provide comprehensive information and referral services. These attempts are not likely to succeed without centralized direction and control.

CONCLUSIONS

The principal coordination of benefit information between VA and SSA occurs through automated data exchanges. Some changes are needed in this coordination to improve the accuracy of VA's benefit payments and to eliminate the

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1/"Information and Referral for People Needing Human Services--A Complex System That Should Be Improved," (HRD-77-134, Mar. 20, 1978).

exchange of unnecessary records. We estimate $14.5 million of inaccurate pension payments were made, principally in 1978. This consisted of:

--$9.6 million in overpayments because the veteran and/or the veteran's spouse failed to report to VA receipt of social security benefits, and VA did not use the benefit data provided by SSA in the January 1979 data exchange.

--$1.7 million in overpayments and $0.3 million in underpayments substantially because one of the matching characteristics SSA used was not on the VA records. Also, SSA was not searching its records for a veteran's spouse by using, when provided, the spouse's social security number.

--$2.0 million in overpayments because veterans and/or their spouses did not accurately report receiving SSA black lung benefits. Also, VA did not use the black lung annotation on its records to examine the reporting of such benefits.

--$0.9 million in underpayments because VA pensioners improperly reported their SSI benefits as social security benefits.

VA is providing SSA, in the quarterly data exchange, an estimated 5.1 million unneeded records because it did not use the SSI indicators to limit the number of records provided. Before such indicators can now be used, they must be updated. Additionally, VA is unnecessarily requesting SSA data for an estimated 618,700 known deceased veterans in the annual data exchange.

RECOMMENDATIONS

We recommend that the Administrator of Veterans Affairs:

--Use the SSA annual data exchange information to identify and adjust payments for those pensioners who did not report their social security benefits and have not yet been detected.

--Establish a data exchange to verify Federal Black Lung benefits and review other Federal benefit programs to determine the need for, and feasibility of, obtaining benefit information from other agencies.

--Stop providing records during the annual data exchange on veterans deceased more than 1 year.

We also recommend that the Administrator of Veterans Affairs stop providing records during the quarterly exchange for those pensioners who are not SSI recipients. In this regard, we recommend that SSA should first provide VA sufficient information to identify those pensioners who are SSI recipients. We also recommend that the Administrator of Veterans Affairs and the Commissioner of Social Security take necessary action to resolve identification problems in the annual data exchange, which prevent benefit data on a large number of SSA-VA recipients from being provided to VA for use in verifying the accuracy of information being provided by pensioners. This should include VA asking SSA to search SSA records for surviving spouses by using, when provided, the spouse's social security number.

AGENCY COMMENTS AND OUR EVALUATION

In our draft report, we recommended that VA use the January 1979 SSA annual data exchange information to adjust pension payments as necessary and recover overpayments and pay underpayments. VA in its response (see app. XV), cites various other uses it made of the 1979 SSA annual exchange data, but does not address the key point of whether it used the SSA benefit to adjust its 1978 pension payments. The overpayments cited in the report related solely to section 306 and old law pensioners--not improved pensioners. Furthermore, the overpayments related to the nonreporting of social security benefits during our review were based on total nonreporting, not underreporting. In all cases, the social security benefit we used to compute overpayments began before 1978 and did not terminate the VA pension benefit since the income ceiling was not exceeded. Therefore, "end-of-year" protection 1/ was not applicable in 1978, and VA efforts to terminate those beneficiaries whose income exceeded the allowable ceiling would not have affected the cases we reviewed.

1/VA comments (see app. XV) refer to "end-of-year" rule which specifies that the effective date of a reduction or discontinuance in pension benefits because of a change in income will be the first day of the year following that in which the increase occurred.

VA pointed out, however, that the 1978 income data no longer exist in its automated records--only current data are available. This presents a practical impediment to adjusting incorrect section 306 and old law cases for 1978. Therefore, we have revised our recommendation and now recommend that VA use the latest SSA annual exchange data to identify those pensioners who continued their nonreporting of social security benefits. This should include returning to SSA to determine when the social security payments began in order to calculate the total overpayments to pensioners and adjust future VA benefits.

In regard to the underpayments noted in the report, VA pointed out that it notified those pensioners whose benefits were adjusted during the 1978-79 income questionnaire season of the amount of income used in calculating the benefit. VA further stated that the beneficiaries were responsible for informing VA of any incorrect income information.

While we recognize that the beneficiary has the primary responsibility for correct reporting of income information, it is apparent--despite any notices that VA may be sending--that some veterans and surviving spouses are still confused about the benefits received from SSA. Because they are reporting SSI payments as social security benefits, they are continuing to shortchange themselves. To help these beneficiaries, VA could annotate its records with an SSI indicator code to help identify possible underpayment cases and then check the type of annual income reported. If the beneficiary reports social security benefits, VA could follow up with the pensioner or SSA to determine whether these benefits were SSI or social security.

VA agreed with our recommendation that VA establish a data exchange to verify Federal Black Lung benefits and review other Federal benefit programs to determine the need for, and feasibility of, obtaining benefit information from other agencies. In its comments, VA stated that it has contacted SSA and the Department of Labor regarding black lung data, the Office of Personnel Management for Civil Service data, and the Railroad Retirement Board for its data. VA also said that in the interim it plans to send letters twice a year to improved pension and certain other recipients who have income from other annuities to request a report of their current annuity income, excluding social security.

It should be noted that VA interim efforts in sending letters to those who did not report some annuity to VA will not detect those pensioners who did not report anything. In addition, VA overpayments related to improper reporting of SSA black lung benefits we identified for 1978, were for section 306 and old law pensioners, not for improved pension recipients although these pensioners may also not be correctly reporting black lung benefits. In our review of the black lung overpayment cases, we observed that many cases of improper reporting started in the early to mid-1970s, but we did not attempt to quantify the total overpayments for all years. VA will have to work closely with SSA to identify and correct these overpayments, since VA pointed out in its response to the issue of the overpayments related to the nonreporting of social security benefits, its records contain current income information, not 1978 data.

VA did not concur in the draft report recommendation to stop providing records during the (1) annual data exchange on veterans deceased over 1 year and (2) quarterly exchange for those pensioners who are not SSI recipients. For that part of the recommendation relating to the annual data exchange, VA said it is providing data on deceased veterans' accounts (when survivors are receiving VA pension benefits) to verify the veteran's social security number, not for any verification of veterans' payment data. VA said it uses the verified numbers to assist SSA in identifying the surviving spouse's SSA record, and to obtain payment data on the social security account for the survivors. Such payment data are then used in determining the correct amount of VA benefits to be paid to surviving spouses.

As a result of VA's comments, we further examined the detailed composition of the 618,700 deceased veterans' records in question. Our examination showed that of these records:

--71,000 (about 11.5 percent) did not have the deceased veteran's social security number verified by SSA (nor did SSA furnish any benefit data). SSA was unable to confirm from the matching characteristics on VA's records (name, date of birth, sex, and beneficiary identification code) that the veteran as shown on VA's record was the same person as that shown on the SSA record. These veterans have been deceased for several years, and the VA plans no further action to obtain any identifying characteristics for SSA to verify the social security number. Since these numbers were not verified, they are of no assistance to VA or SSA in identifying the account under which the surviving spouse may be receiving social security benefits. Since the veterans have now been deceased at least 2 years, and since three attempts have already been made to verify the veterans' social security numbers, we believe that future attempts at interfacing these records are not warranted and should be stopped.

--547,700 were verified by SSA. However, since VA provided two records to SSA--one for the deceased veteran and one for the surviving spouse--and both contained the deceased veteran's social security number as shown on VA's records, and since the verification process will not change an incorrect number, searching the SSA record for the deceased veteran is unnecessary and only creates extra work for SSA. Therefore, verification of the deceased veteran's social security number did not assist in locating SSA's record for the spouse.

Included in these records were 308,700 cases for which SSA verified the deceased veteran's social security number and furnished SSA benefit information for the last month the deceased veteran received an SSA benefit, but did not indicate the date such benefit ceased. The benefit information provided for the 308,700 deceased veterans related to years before 1978; over one-third related to a social security benefit last received in the 1960s. Consequently, VA asked for and received deceased veterans' benefit information irrelevant to the VA benefit determinations in 1978 for the surviving spouse.

The part of the draft report recommendation that VA stop providing records during the quarterly exchange for those pensioners who are not SSI recipients has been revised in the final report to clarify that VA should first update the SSI indicator code in the VA records to stop the unnecessary flow of data. VA pointed out that to do this SSA will have to give the VA identification data on all SSI recipients. Consequently, we are now recommending that the Commissioner of Social Security provide VA sufficent information to identify those pensioners who are SSI recipients.

VA disagreed that it should stop providing its records during the quarterly exchange for those pensioners who are not SSI recipients. VA commented that a memorandum of understanding now being developed between VA and SSA will result in an ongoing cyclical interchange and will eliminate the need for VA to provide all compensation and pension accounts to identify SSI recipients. VA expects that this interchange will be implemented during the first quarter of calendar year 1981 and maintains that until such implementation, our recommendation could be implemented only at the cost of missing many dual payees.

VA's position on information disclosure has changed. In its September 2, 1977, comments on our report entitled, "Privacy Issues and Supplemental Security Income Benefits," VA stated:

> "As recommended by the GAO report, and although no unauthorized access to information has been noted, an indicator identifying SSI recipients will be added to VA automated records to ensure that disclosures are made only in those cases relevant to SSI determinations." (Underscoring supplied.)

VA did place an indicator code on its records in 1977 to limit the number of records it sends to SSA, but apparently the indicators were not effectively used because the flow of unnecessary records continued. On the basis of our review, it appears that VA did not use the indicators in its records because VA always seemed to be on the verge of finalizing an agreement for data exchange and hence never limited the flow of its records. This is not to suggest that we are opposed to such an agreement, rather, our recommendation is directed at immediately stopping the unnecessary flow of data; if VA and SSA subsequently reach agreement for an improved interface, so much the better.

Regarding the VA comment that our recommendation could be implemented only at the cost of missing many dual payees, we believe that the dual payees that miss interface verification efforts are essentially those recipients who become SSI recipients after the indicator code is placed on the VA records. SSA could accumulate these SSI records and periodically request VA to verify for pension and compensation data on the VA records when the volume is sufficient to make it feasible. Since SSA has historically invested about 50 hours of computer time on each quarterly interface in examining VA's 5.2 million records, implementation of this recommendation would not only limit the flow of unnecessary data, but also offer some economic advantage.

The Administrator of Veterans Affairs and the Commissioner of Social Security agreed with our recommendation to take necessary action to resolve identification problems in the annual data exchange.

IMPROVED PENSION AND SSI PROGRAMS'

ELIGIBILITY REQUIREMENTS

ELIGIBILITY REQUIREMENTS

The statutory formulation of the improved pension program was guided by certain VA recommendations made to eliminate inconsistencies, anomalies, or inequities with VA's previous non-service-connected disability pension programs. These recommendations sought to treat similarly circumstanced persons equally, to apply the same eligibility requirements to applicants, and to provide equal benefits to beneficiaries whose circumstances (income and assets) are the same.

The SSI program replaced the former programs of aid to the aged, blind, and disabled which had been operated by the States with Federal financial assistance. For the first time, minimum Federal standards of income support were established for the aged, blind, and disabled. Eligibility conditions, which previously differed greatly from place to place, became uniform in every State. The same definitions of "blindness" and "disability" applied everywhere. Common rules were used in defining and measuring income, computing payments, and deciding what assets a recipient could retain. Since those uniform rules were more liberal than the rules formerly used in some States, the Congress envisioned that many additional needy people would receive aid who could not, or would not, have obtained eligibility under the former programs.

Differences between the improved pension and SSI programs' eligibility requirements are discussed in the following sections.

Age and disability

Improved pension payments are made to needy wartime veterans with total and permanent non-service-connected disabilities and to needy wartime veterans age 65 or older. Needy survivors of wartime veterans who died of non-service-connected causes can also receive pension benefits. Survivors can receive benefits without regard to their age and regardless of whether they are disabled.

The SSI program provides benefits to needy individuals, including veterans, who are age 65 or older, or at any age, if the person is blind or disabled. These benefits are paid to individuals only, not to a spouse or child of a needy individual, unless that person is also needy aged, blind, or disabled.

Under VA's improved pension program, a veteran is disabled if he is age 65 or older, or became unemployable after age 65, or is suffering from:

> "(1) any disability which is sufficient to render it impossible for the average person to follow a substantially gainful occupation, but only if it is reasonably certain that such disability will continue throughout the life of the disabled person; or
>
> "(2) any disease or disorder determined by the Administrator to be of such a nature or extent as to justify a determination that persons suffering therefrom are permanently and totally disabled."

VA does not define substantial gainful occupation in relation to any specific level of earnings per month.

In administering and determining disability for its SSI program, SSA essentially uses the same procedures as it does for the social security disability program. To be disabled, a person must be unable to do any substantial gainful activity because of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last at least 12 consecutive months. Work may be considered substantial even if it is part time, or is less demanding or responsible or pays less than the individual's former work. Presently, a person earning $280 or more a month is considered to be doing substantial gainful activity.

The Social Security Act further qualifies the definition of disability--the individual:

> "* * * is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work. * * *"

Residence outside the country

VA improved benefits pensioners can reside indefinitely outside of the United States and still receive benefits. An estimated 48,000 veterans and survivors (receiving pension or compensation) were living outside of the United States in fiscal year 1978. The Congress, in the Veterans and Survivors Pension Improvement Act of 1978, directed the Administrator of Veterans Affairs, in consultation with the Secretary of State, to study the income characteristics of its foreign pensioners in relation to the economic aspects of the resident foreign country. The purpose of the study was to examine the desirability of modifying the non-service-connected pension programs for veterans and survivors residing outside the country.

The Social Security Act specifically provides that no person is eligible for SSI for any month spent entirely outside the United States. Furthermore, after an individual has been outside the United States for any period of 30 consecutive days, the person is considered as remaining outside the United States until the person has been in the country for 30 consecutive days.

Income tests

Both VA improved pension and SSI programs have maximum amounts payable to eligible individuals and couples. The maximum benefits are reduced by income from other sources with certain types of income excluded from the computations. The improved pension and SSI programs are similar because both reduce benefits for countable income, although the methodology of that reduction varies.

The improved pension program provides basic annual benefits for the veteran's entire family. Higher benefits are provided to veterans and surviving spouses if they are housebound or need regular aid and assistance and to veterans of a period of war who are not eligible for educational or home loan benefits (primarily World War I veterans). Benefit totals are reduced one dollar for every dollar of the family members' (including children) income.

Some items are not countable as income, and some items are excludable from income. Exclusions from income are, in essence, expenses that the Congress allowed as deductions from income. The exclusions are for amounts equal to that paid by

- --a spouse of a veteran for the expenses of such veteran's last illness;
- --the surviving spouse or child for the veteran's just debts and the unreimbursed expenses of the veteran's last illness and burial;
- --a veteran for the last illness and burial expenses of the veteran's deceased spouse or child;
- --a spouse of a living veteran or the surviving spouse of a deceased veteran for the last illness and burial of a child of such veteran;
- --a veteran or surviving spouse pursuing a course of education or vocational rehabilitation or training for educational expenses; and
- --a veteran, spouse, or child for unreimbursed medical expenses, to the extent such amounts exceed 5 percent of the maximum annual rate of pension payable during the year.

Improved pension benefits are not reduced for SSI benefits because the Congress specifically excluded benefits received from public or private relief or welfare organizations. The Congress recognized that, if the SSI benefits were considered income, a series of back and forth adjustments in both pension and SSI payments would result. Not counting SSI in the improved pension income calculations eliminates such adjustment difficulties.

In contrast, the SSI program provides benefits for eligible individuals and couples. Also, children must be eligible in their own right to receive benefits. SSI benefits are supplemented by the States in various amounts.

Benefits are reduced for the countable income of eligible persons. Where members of a couple live together, if one spouse is eligible and the other ineligible, a portion of the ineligible spouse's income may be considered to be the eligible spouse's income. Before income is counted, it is categorized as earned 1/ and unearned 2/, and then an

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1/Wages and net earnings from self-employment.

2/All other income.

excludable amount is applied to each category. The SSI program generally does not consider expenses, such as medical or burial, as exclusions from income.

A general exclusion of $60 quarterly for unearned and earned income, and $195 quarterly plus one-half of the remainder of earned income are applied. The $60 exclusion does not apply to assistance if it is based on need. However, assistance based on need furnished by State and local governments must, by law, be excluded. There is an additional exclusion of infrequent and irregular income received which does not exceed $60 per calendar quarter from an unearned source, or $30 per calendar quarter from an earned source.

Overall, SSI program data for June 1979 show 3.1 percent of the recipients had earned income and 62.9 percent had unearned income. The three largest types of unearned income are social security (51.7 percent), support and maintenance--inkind income (3.8 percent), and veterans' benefits (2.8 percent). SSI program data effective June 1979 show (1) 2,167,917 individuals receiving social security benefits averaging $172.41 monthly; (2) 161,197 recipients receiving inkind support and maintenance income, such as room and board, averaging $49.80 monthly; and (3) 106,417 recipients receiving VA pensions, including improved pension benefits, averaging $111.19 monthly.

Some of the countable and excludable items for determining improved pension and SSI benefits are shown as follows:

Source of income	Improved pension	SSI
General items:		
Income from employment, business, rent, and investments	Included	Included
Income from spouse	Included	Included
Earned income of child claimant	a/Excluded	b/Excluded
Infrequent and irregular income ($60 per calendar quarter if unearned or $30 per calendar quarter if earned)	Included	Excluded
Rents minus expenses	Included	Included
Royalties	Included	Included
Income of a blind or disabled recipient needed to fulfill a plan designed to achieve self-support	No provision	Excluded
Pensions:		
State, Federal, local, and foreign governments and private organizations	Included	Included
VA compensation	Included	Included
VA dependency and indemnity compensation	Included	Included
VA pension	-	Included
Retirement or annuity payments and endowments (Railroad, military service, commercial, etc.)	Included	Included
SSA benefits:		
SSI	Excluded	-
Black lung	Included	Included
Lump sum death benefits	Included	Included
Social security	Included	Included
Work-related income:		
Workmen's compensation	Included	Included
Unemployment compensation	Included	Included
Tips under $20 per month	Included	Included
Jury fees	Included	Included
Sick pay	Included	Included
Remuneration while in sheltered workshop	Included	Included
Payments to inmate of public institution	Included	Included
Inkind payments to domestic or agricultural employee	Included	Included
Remuneration for services by patient and members of VA hospital for therapeutic/rehabilitative purposes	Included	Included
VA payments:		
U.S. Government or National Service Life Insurance for disability or death, maturity of endowment policies, and dividends, including special and termination dividends	Included	c/Included
Servicemen's Group Life Insurance	Included	c/Included
Veterans Group Life Insurance	Included	c/Included
Servicemen's Indemnity	Included	Included
Death Gratuity	Included	Included
Veterans', survivors', and dependents' educational assistance in excess of costs	Included	Included
Subsistence allowance	Included	Included
Statutory burial allowance	Included	Excluded
Survivor Benefit Plan (formerly retired Serviceman's Family Protection Plan) annuities, refunds, Survivor Benefit Plan	Included	Included
Bequests, devises, inheritance, gifts:		
Money	Included	Included
Joint bank account	Excluded	Included
Prizes and awards	Included	Included
Other items:		
Income from sale (cash or installment) of real or personal property other than in the course of a business	d/Excluded	e/Excluded
Fire insurance proceeds	Excluded	f/Excluded
Life, disability, accident, or health insurance proceeds minus the costs of health care or burial of a recipient, spouse, or child	Included	g/Included
Amounts paid for unreimbursed medical expenses which exceed 5 percent of maximum annual pension	Excluded	No adjustment
Dividends from commercial insurance	Included	Included
Contributions by public or private employer to:		
Public or private hospitalization plan	Included	Excluded
Retired employee as reimbursement for premiums for supplementary medical insurance benefits under SSA	Included	Included
Support and maintenance by friend, relative, or organization	Excluded	h/Included
Educational expenses	i/Excluded	j/Excluded
Support and alimony payments	Included	k/Included

a/Excluded up to the amount needed to file a Federal tax return--$3,300 for 1979 and the amount paid by the child for postsecondary education or vocational rehabilitation or training.

b/To qualify for exclusion, the child must be a student and cannot be married or head of household. Exclusion is up to $1,200 in a calendar quarter with an overall limit of $1,620 per calendar year.

c/Proceeds of a life insurance policy are unearned income to the extent that they exceed $1,500 or the amount expended by a beneficiary of the policy on the insured person's last illness and burial expenses, whichever is smaller.

d/If on the installment basis, all moneys collected are excluded until the sales price is equaled; thereafter, moneys collected are included in income.

e/Proceeds or profit from the sale of real or personal property is excluded from income; after 3 months, if the property is not replaced, the proceeds or profits become a resource.

f/Emergency replacements in cash or inkind of items lost through disaster is not income for SSI purposes if the replacement property is received within 3 months for personal property or 6 months for real property. Property received after these periods are considered unearned income.

g/Excludes lesser of $1,500 or actual costs.

h/A one-third reduction from the standard payment amount is applied to avoid counting as income the actual dollar value of support and maintenance when an individual or couple lives in the household of another. The reduction is applied only if both support and maintenance are provided. The reduction would be one-sixth if one member of the couple receives support and maintenance.

i/Amounts are excluded which are paid by veteran, surviving spouse, or child for tuition, fees, books, and materials. If the veteran or surviving spouse is in need of aid and attendance, unreimbursed transportation costs above what would be normal costs are also excluded.

j/Amounts provided as grants, scholarships, or fellowships are excluded to the extent used for tuition and fees. Amounts received in excess of tuition and fees for general living purposes are included.

k/One-third of support for a child from an absent parent is excluded.

Resource test

VA is required by statute to deny or discontinue pension benefits if the pensioner's estate--net worth--is such that, under all circumstances, including the consideration of the pensioner's income, it is reasonable that some portion of the pensioner's estate be used for the veteran's support. To determine net worth, VA considers many variables. Some variables are of a general nature, such as the life styles and living standards of one community as contrasted to another. Others are specific to the claimant, such as life expectancy, state of health, family obligations, educational expenses, medical expenses, dietary expenses, and housing costs. VA also considers the nature of the assets, their marketability and convertibility into cash, as well as the impact of disposing of income-producing property. All of these factors are considered before arriving at a decision affecting payment of a pension.

Generally, VA sets a dollar guide of $25,000 in reasonably liquid assets before requiring documentation of the above considerations. A claim requires considering the net worth of both the veteran and the spouse as affected by the expenses of the family. A net worth which would be considered excessive when determining the net worth and expenses of only one individual may not be excessive to the rest of the family. Children included in any claim are entitled to a separate net worth determination.

The SSI program uses a resource concept rather than an estate or net worth approach. Under this concept, individuals whose countable resources, such as savings, stocks, and bonds, do not exceed $1,500 are eligible, if they meet the remaining program criteria. For individuals living with their spouses, the countable resource limit is increased to $2,250. Countable resources are determined after excluding certain items specifically stipulated by law, such as the home.

Work incentives

Improved pension benefits are reduced one dollar for every dollar of countable income. The program does not distinguish the source of the income, i.e., whether it be from working for wages or not working and having money returned, such as through a retirement benefit. The Congress, by not distinguishing the source, followed a principle of equal benefits for recipients with equal income. With this treatment, the program offers veterans, spouses, or survivors very little incentive to work. This is not to suggest that work incentives should be provided since the program is intended to remunerate only permanently and totally disabled veterans. 1/

In contrast, the SSI program does have a work incentive provision. An SSI recipient can exclude up to the first $255 of earnings plus one-half of any remaining earnings during each quarter of the year. The SSI work incentive provision enables individuals with greater total income to receive higher SSI benefits than those with lesser total income but from different sources. Furthermore, in comparing the SSI and improved pension programs, there is an anomaly for individuals with earnings. Individuals on SSI with stable quarterly wages throughout a year can earn over $6,000 annually and still be eligible. Veterans earning more than $3,902 a year would generally not be eligible for improved pension benefits.

For both programs, the nature of the population--aged, blind, and disabled--would seem to preclude the possibility of much work. SSI program data for June 1979 show that 3.1 percent (129,500 recipients) had earned income averaging $104 monthly. Ranges of earnings were not available, but the data show the extent of work for the aged, blind, and disabled--38,800 aged ($84 monthly), 5,500 blind ($340 monthly), and 85,100 disabled ($99 monthly). VA was unable to provide data showing the source of improved pensioner income or the extent such pensioners would do some work if the pension benefits were not reduced.

1/The improved pension law does, nonetheless, include a provision to remove any disincentive to pursuing rehabilitation. There is excluded from a veteran or surviving spouse's income, for entitlement purposes, amounts equal to amounts paid for courses of education or vocational rehabilitation or training. In addition, should such veteran or surviving spouse be in need of regular aid and attendance, the amounts paid, in excess of normal transportation costs, for transportation in connection with the pursuit of such course of education, vocational rehabilitation, or training are excluded in determining countable income. In the case of a child recipient, an amount up to $3,300 of earned income is excluded from countable income.

In addition, SSI has another work incentive provision. An SSI blind or disabled recipient who refuses, without good cause, vocational rehabilitation services will lose his benefits. Similarly, a disabled SSI individual who is medically determined to be a drug addict or alcoholic must undergo available treatment or lose his benefits.

The improved pension program does not have these requirements. (Primary alcohol or drug addiction *per se* is considered to be a disability due to "willful misconduct," and hence does not give rise to entitlement. However, any organic disability secondary to the primary addictive condition, if of sufficient severity, can give rise to pension entitlement.)

IMPROVED PENSION AND SSI PROGRAMS'

BENEFIT DETERMINATIONS

Although both use a prospective basis, the improved pension and SSI programs compute benefit payment amounts differently. Because the SSI computation method results in significant overpayments to recipients, we recommended 1/ that the Chairmen of the House Committee on Ways and Means and the Senate Committee on Finance change the method for computing benefit payment amounts.

VA'S METHOD OF INCOME ANNUALIZATION DOES NOT CAUSE ERRONEOUS PAYMENTS

The VA computation method does not create an overpayment problem. The program provides that the effective date of reduction or termination will be the first day of the month following that in which the increase occurred.

The improved pension program requires completion of an annual income questionnaire at the beginning of each year showing income and resources for recipient, spouse, and dependent children. Recipients are expected to report actual data for the previous year and estimate data for the following year. Monthly benefits paid are based on annual maximum fixed rates with reduction of one dollar for every dollar for anticipated individual or family income, as reported by the individuals receiving benefits. Income changes are to be reported by the end of the month in which they occur and affect benefits for the remainder of the year.

The basic concept underlying the improved pension program is that, at any given time, a claimant's countable income plus his or her pension benefits, projected over a 12-month period, will establish a given level or rate of income (i.e., the applicable maximum annual pension rate). For example, on January 1 a single veteran has a monthly retirement check of $100 or an annual income of $1,200. The veteran's pension entitlement would be $225.17 monthly or $2,702 annually. In April, the veteran reports that the monthly retirement check has increased to $150, or an annual rate of countable income of $1,800. To provide for a maximum annual pension rate over the next 12 months,

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1/Letter report on "SSI and the Prospective Quarterly Accounting Methodology," (HRD-78-114, May 26, 1978).

pension entitlement must be reduced to $2,102 yearly or $175.17 monthly. This projection of income 12 months from the date of entitlement to pension or the effective date of a change in income is called annualization of income.

One advantage of the annualized income computation is that there will generally be no need for a future January 1 reduction due solely to a change in recurring income. This occurs since the 12-month rate of income projected at the time of the increase will be identical to the rate projected by the annual income questionnaire for the forthcoming year.

HOW THE SSI PROSPECTIVE QUARTERLY BASIS CAUSES ERRONEOUS PAYMENTS AND ADMINISTRATIVE DIFFICULTIES

SSI legislation requires SSA to determine SSI eligibility and benefit payment amounts on a quarterly basis. SSA computes benefits prospectively; therefore, benefits are based on the income a recipient expects to receive over a projected 3-month period. The quarterly computations were established to minimize changes in the monthly benefit payments caused by income variations. Once computed, payments are disbursed in equal monthly installments.

In reality, changes in monthly benefit payments have not been minimized, and erroneous payments are being made because of frequent variations in income, resources, or eligibility status which are reported to SSA, but are not anticipated before the quarterly computation. Examples of these changes that may cause erroneous payments include death, marriage, earned income, and unearned income, such as public and private pensions, annuities, inheritances, gifts, and interest or dividends.

Only a small percentage of the 4.2 million active SSI recipients receive wages or salaries. However, about 55 percent 1/ receive unearned income payments. Since the SSI program began, about 3.1 million changes other than social security benefit increases have occurred in these unearned income payments, of which over two-thirds 1/ occurred in

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1/As discussed in our report referred to on page 52. All projections concerning the 4.2 million active recipients are based on a 1-percent random sample of SSI master records as of October 1, 1977, and are subject to a maximum 4-percent sampling error at the 95-percent confidence level.

the second or third month of a quarter. Unanticipated unearned income payments received and reported in the latter months of a quarter generally result in erroneous payments. Furthermore, many of the remaining one-third 1/ unearned income changes which occurred in the first month of a quarter could also have caused erroneous payments if they were posted to the recipient's record after SSA had computed the quarterly benefit amount.

The following example shows how computing benefits on the prospective quarterly basis can cause an overpayment.

> Mr. Z, an eligible aged individual, reports to SSA that he expects to receive $120 in unearned income before exclusions in September 1979 and anticipates no other income for the quarter. Instead of $120, however, on September 30, 1979, he unexpectedly receives $180 in unearned income before exclusions which he immediately reports to SSA.
>
> The original and adjusted computations for the July through September quarter are shown below:

Original computation

Standard payment amount ($208.20 X 3 months)	$624.60
Less income minus exclusion ($120-$60)	-60.00
Quarterly SSI payment	$564.60
Monthly SSI payment	$188.20

Adjusted computation

Standard amount ($208.20 X 3 months)	$624.60
Less income minus exclusion ($180-$60)	-120.00
Quarterly SSI payment	$504.60
Monthly SSI payment	$168.20

Because of the unexpected additional income received in September, a $60 overpayment was created for the quarter ($564.60 - $504.60 = $60.00)

1/As discussed in our report referred to on page 53. All projections concerning the 4.2 million active recipients are based on a 1-percent random sample of SSI master records as of October 1, 1977, and are subject to a maximum 4-percent sampling error at the 95-percent confidence level.

The prospective quarterly accounting period also causes administrative problems in developing and processing overpayments. Because benefit status changes can fluctuate within a quarter, SSA does not determine the overpayment amounts until the end of a quarter. Thus, a 3-month period may elapse between the time an overpayment occurs and is developed. This development includes (1) the final computation of the overpayment for the quarter and the administrative action needed to determine if the recipient was at fault and (2) whether or not the overpayment should be waived or collected. If collectable, a repayment schedule is usually developed, and agreement is reached on how much should be withheld from the recipient's benefit amount and how long payments should be withheld. According to SSA district office personnel, this procedure is very confusing to the recipient who does not understand how he or she became overpaid in the first place.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE (SOCIAL SECURITY) PROGRAM ELIGIBILITY REQUIREMENTS

Retirement benefits:	
General vesting requirements	Fully insured status--40 quarters of coverage, or one quarter of coverage for each year after 1950 (or each year after attaining age 21, if later) with a minimum of 6 quarters.
Eligibility requirements:	
Retiree	Full benefit at 65. Reduced benefit at 62.
Disabled employee	Total disability only. Must have 20 quarters of coverage out of the last 40 preceding disability. Reduced work credit requirements for disability before age 31. Fully insured status also required.
Spouse	Employee awarded age or disability benefit. Full benefit at 65 or any age with child in wife's care. Reduced benefit at 62.
Divorced wife	Must have been married to employee for 20 years (10 years starting in 1979). Age requirements same as for spouse.
Child	Employee entitled to age or disability benefit. Under age 18 or full-time student, ages 18-21 or age 18 or older with total disability beginning before age 22.
Survivor benefits:	
General vesting requirements	Employee fully insured. Lump-sum, widowed parent of child, and child survivor benefits available if the employee was only currently insured--6 quarters of coverage in the 13 preceding death.

Survivor benefits (continued):

Eligibility requirements:

Aged widow(er)	Full benefit at 65. Benefits are reduced 28-1/2 percent at age 60.
Disabled widow(er)	Age 50 and totally disabled. Benefits are reduced to 50 percent of the full rate payable at age 65.
Divorced wife	Must have been married to employee for 20 years (10 years starting in 1979). Age requirements are same as those for aged, disabled, or widow(er) with children.
Remarried widow(er)	If remarriage occurs after age 60, benefits continue. No benefits if under age 60, but if remarriage terminates, benefits resume.
Widowed parent of employee's child	Caring for a child under 18 or a disabled child.
Child	Unmarried, under age 18 or full-time student 18 through 21, or over 18 and became disabled before 22.
Employee's parents	Age 62, unremarried, dependent of employee at time of employee's death.
Person with an insurable interest designated by employee	No benefit.

Other benefits:

Supplemental	Benefits increased by 1/12 of 1 percent for each month between ages 65-72 that employee delays retirement. This delayed retirement credit is increased to 1/4 of 1 percent for workers reaching 62 after 1978.

Other benefits (continued):	
Insurance lump-sum	Payable for all deaths of insured employees.
Residual payment (return of contributions)	No benefit.
Military service credits	Noncontributory wage credits allowed for military service before 1957, but not if a benefit is payable by another Federal agency (other than VA) based on the same period of service. Military earnings have been taxable under social security since 1957. Military personnel receive additional, noncontributory credits of up to $1,200 per year for service after 1957.
Restrictions to benefits:	
Work and income restrictions	Benefits reduced $1 for each $2 of earnings above annual exempt amounts, unless after age 71. No special restrictions for disability benefits.
Dual benefit restrictions	Individuals entitled to more than one social security benefit receive only the highest one. Certain spouse and widow(er) benefits reduced by amount of public pensions based on their own earnings. Disabled worker's benefits reduced, in some cases, for workmen's compensation benefits (both benefits together cannot exceed 80 percent of final earnings).

OLD-AGE, SURVIVORS, AND DISABILITY
INSURANCE PROGRAM SOURCES OF FINANCING

Employee contributions	For 1979, 6.13 percent of yearly earnings up to $22,900 (includes 1.05 percent for health insurance).
Employer contributions	Employer matches employee contributions.
General revenue appropriations	Direct appropriations for (1) military service credits and (2) benefits to certain uninsured individuals over age 72.
Other	Income from investments.

VA IMPROVED PENSION PROGRAM

MAXIMUM ANNUAL AND MONTHLY PAYMENT RATES

JULY 1979

Benefit description	Maximum annual amount	Monthly amount
Veteran without dependent spouse or child	$3,902	$325.17
Veteran with one dependent (spouse or child)	5,112	426.00
Veteran in need of regular aid and attendance without dependents (spouse or child)	6,243	520.25
Veteran in need of regular aid and attendance with one dependent	7,453	621.08
Veteran permanently housebound without dependents	4,770	397.50
Veteran permanently housebound with one dependent (spouse or child)	5,980	498.33
Increase for each additional dependent child	660	55.00
Increase if veteran not made eligible for VA educational assistance or home loan benefits	880	73.33
Surviving spouse without dependent child	2,615	217.92
Surviving spouse with one dependent child	3,425	285.42
Surviving spouse in need of regular aid and attendance without dependent child	4,183	348.58
Surviving spouse in need of regular aid and attendance with one dependent child	4,993	416.08
Surviving spouse permanently housebound without dependent child	3,196	266.33
Surviving spouse permanently housebound with one dependent child	4,006	333.83
Increase for each additional dependent child	660	55.00

Benefit description	Maximum annual amount	Monthly amount
Surviving child where there is a surviving spouse eligible for pension benefits, but the child is not in such surviving spouse's custody	$ 660	$ 55.00
Surviving child where there is no surviving spouse	660	55.00

SSI FEDERAL BENEFIT RATES FOR ELIGIBLE PERSONS--JULY 1979

	Yearly	Quarterly (note a)	Monthly
Individual	$2,498.40	$624.60	$208.20
Individual in household of another and receiving support and maintenance	1,665.60	416.40	138.80
Individual in medical treatment facility (note b)	300.00	75.00	25.00
Individual with eligible spouse (including either in household of another and receiving support and maintenance)	3,747.60	936.90	312.30
Individual with eligible spouse (both in household of another and receiving support and maintenance)	2,498.40	624.60	208.20
Individual with eligible spouse (both in medical treatment facility(s)) (note b)	600.00	150.00	50.00
Essential person increment (note c)	1,250.40	312.60	104.20

a/Quarterly Federal benefit rates are used for the quarterly computations except when there is 1 or 2 months of ineligibility within a quarter, or changes in basic eligibility status occur.

b/Any essential person increment(s) payable to an individual in a medical treatment facility is added to the individual's $25 Federal benefit rate.

c/An essential person increment is a benefit paid for a person who
--for the month of December 1973, was a person whose needs were taken into account in determining the needs of the qualified individual for aid and assistance under a State plan;
--lives in the home of the qualified individual;
--is not eligible in his or her own right for SSI payments;
--is not the eligible spouse of the qualified individual or any other individual; and
--does not have income or resources in an amount that causes the qualified individual to lose eligibility for SSI payments.
If for any month after December 1973, a person fails to meet each of these conditions, that person will lose essential person status.

SSI AVERAGE MONTHLY AMOUNT OF FEDERALLY ADMINISTERED STATE SUPPLEMENTATION, BY REASON FOR ELIGIBILITY AND STATE, JUNE 1979

State	Average monthly amount			
	Total	Aged	Blind	Disabled
Total	$ 75.15	$71.98	$105.06	$ 76.52
Arkansas	18.64	19.72	17.84	16.14
California	109.18	99.56	143.25	116.03
Delaware	64.37	57.81	48.69	72.31
District of Columbia	74.16	66.65	50.30	76.86
Florida	28.15	33.98	26.43	20.02
Georgia	23.33	20.66	23.12	28.78
Hawaii	38.22	32.95	35.65	44.20
Iowa	40.48	56.51	24.54	57.07
Kansas	34.57	37.28	37.29	33.28
Louisiana	16.55	16.28	29.86	20.98
Maine	20.72	18.02	20.70	23.24
Maryland	34.85	34.89	34.91	34.82
Massachusetts	86.29	83.28	142.04	85.08
Michigan	59.22	51.04	42.01	64.42
Mississippi	13.91	14.83	9.87	11.56
Montana	84.07	62.62	133.00	85.60
Nevada	49.96	43.23	115.77	-
New Jersey	23.83	23.31	21.37	24.23
New York	54.00	54.37	50.69	53.83
Ohio	25.33	26.40	30.69	24.05
Pennsylvania	32.64	31.01	36.41	33.49
Rhode Island	32.38	29.70	33.71	34.25
South Dakota	25.59	24.62	29.75	26.09
Tennessee	27.24	20.98	(a)	38.00
Vermont	44.55	40.94	39.86	47.55
Washington	33.92	30.10	38.37	36.04
Wisconsin	77.87	67.67	87.51	87.99

a/Not computed for fewer than five persons.

Source: SSA's Office of Research and Statistics.

SSI AVERAGE MONTHLY AMOUNT OF STATE-ADMINISTERED STATE SUPPLEMENTATION, BY REASON FOR ELIGIBILITY AND STATE, JUNE 1979

State	Persons with State supplementation only			
	Total	Aged	Blind	Disabled
Alabama	$ 57.50	$ 54.02	$ 75.45	$ 67.49
Alaska (note a)	89.56	81.43	172.33	96.93
Arizona	118.74	127.47	(b)	47.52
Colorado	92.93	78.22	135.46	148.23
Connecticut	119.37	112.65	96.34	123.03
Florida (note c)	-	-	-	-
Idaho	63.11	58.39	81.57	68.84
Illinois	110.52	79.36	80.83	118.54
Kentucky	122.04	123.04	124.22	117.86
Maryland	d/90.27	(e)	(e)	(e)
Minnesota (note a)	108.30	101.21	95.50	113.17
Missouri	47.67	37.27	161.52	49.38
Nebraska	66.68	44.78	71.00	84.12
New Hampshire (note e)	-	-	-	-
New Mexico	(b)	-	-	(b)
North Carolina	136.01	138.22	160.63	129.66
North Dakota (note f)	(b)	(b)	-	(b)
Oklahoma	50.98	53.74	55.07	45.11
Oregon	29.61	28.95	40.93	29.47
South Carolina (note c)	-	-	-	-
South Dakota (note e)	-	-	-	-
Utah (note c)	-	-	-	-
Virginia (note e)	-	-	-	-
West Virginia (note c)	-	-	-	-

a/Represents April 1979 data for Alaska and February 1979 data for Minnesota; data not available for June.

b/Not computed on base of less than $500.

c/No person receives State supplementation only.

d/Includes data not distributed by reason for eligibility.

e/Data not available.

f/Excludes data for optional supplementation; data not available.

Source: SSA's Office of Research and Statistics.

SSI PROGRAM RELATIONSHIP TO MEDICAID PROGRAM STATE VARIATIONS

Categorically eligible States

Alabama
Alaska
Delaware
Florida
Georgia
Idaho
Iowa
Louisiana
Nevada
New Jersey
New Mexico
Oregon
South Carolina
South Dakota
Texas
Wyoming

Medically needy States

Arkansas
California
District of Columbia
Kansas
Kentucky
Maine
Maryland
Massachusetts
Michigan
Montana
New York
North Dakota
Pennsylvania
Rhode Island
Tennessee
Vermont
Washington
West Virginia
Wisconsin

States using more restrictive criteria than SSI and making their own determinations

Colorado
Connecticut
Hawaii
Illinois
Indiana
Minnesota
Mississippi
Missouri
Nebraska
New Hampshire
North Carolina
Ohio
Oklahoma
Utah
Virginia

Notes: 1. States basing Medicaid payments on SSI eligibility can be categorized into two groups--"categorically eligible" States and "medically needy" States. For categorically eligible States, Medicaid eligibility ceases with SSI ineligibility. For medically needy States, an individual ineligible for SSI because of excess income may still be eligible for Medicaid, if the recipient uses the excess income for health care and thus spends down to State-prescribed levels.

2. Arizona has no Medicaid program.

Source: "Social Security Bulletin," February 1979, Volume 42, Number 2.

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES DIVISION

Dear Mr.

In November 1978, the Chairmen of the House of Representatives and the Senate Committee on Veterans' Affairs asked the General Accounting Office to prepare a report on various aspects of the veterans' pension program, and the social security retirement, disability, and supplemental security income programs.

In part, the Chairmen asked our Office to describe the coordination between the Veterans Administration (VA) and the Social Security Administration (SSA) in providing benefits and to describe the inconsistencies, inequities and undesirable features, if any, in the treatment of needy persons under the above-mentioned programs.

As part of our review, we are seeking the comments of the major veterans' organizations concerning the Improved Pension Program.

In February 1978 responded favorably to H.R. 10173, the House Committee's version of the "Veterans' and Survivors' Pension Improvement Act of 1978."

Now that Public Law 95-588 has been enacted and your organization has had the opportunity to examine the legislation and the impact the resultant changes may have on your membership, we are requesting your views on what features may still be inequitable or undesirable, if any, and suggestions on how these areas may be improved.

We are also seeking any information which your organization may have developed comparing any or all of the programs included in our review.

Finally, we would appreciate your comments on the feasibility and desirability of Veterans submitting a consolidated application for both VA and SSA benefits. That is, when a veteran becomes eligible for both VA and SSA pension benefits submitting one application which could be used by both agencies to determine eligibility and allowable benefits.

We would appreciate receiving your comments on these matters in writing or, if you prefer, my staff would be happy to meet with you to discuss your views.

If you have any questions conerning our present assignment or this request please contact Mr. Frank Guido of my staff on (202) 389-5287).

Thank you for your cooperation.

Sincerely yours,

George D. Peck
Assistant Director

The
American
Legion
★ [illegible] ★ [illegible] ★ [illegible] ★
(202) [illegible] ★

June 26, 1979

Mr. George D. Peck
Assistant Director
United States General Accounting Office
Washington, DC 20548

Dear Mr. Peck:

This is The American Legion reply to letter of April 25, 1979 that you addressed to Mr. G. Michael Schlee, Executive Director of The American Legion Office in Washington, DC.

Paragraph 5 of your letter invites an appraisal of PL 95-588, the Veterans and Survivors Pension Improvement Act of 1978, in its present stage of implementation. Paragraph 6 of your letter invites information the Legion may have developed comparing both VA and SSA administered programs. Paragraph 7 of your letter asks for comment on the feasibility or desirability of submitting a consolidated application for both veterans and social security benefits.

Because The American Legion restricts its interests and activities to veterans programs, we will not respond to the request contained in paragraph 6 of your letter. We will respond to paragraphs 5 and 7.

As pointed out in your letter, The American Legion did, in February 1978, respond favorably to H.R. 10173, the HVAC version of the "Veterans and Survivors Pension Improvement Act of 1978." We did so because H.R. 10173, with some differences, most closely parallelled what we were seeking in Resolution No. 360 (Iowa), adopted by our 1977 National Convention. A copy of Resolution No. 360 is enclosed.

Because of the cost guidelines given the Committee Chairmen by President Carter, and the philosophical differences on pension between the House and Senate VACs, as expressed in S. 2384 and H.R. 10173, the final version of H.R. 10173 differed significantly from its February 1978 reported format.

Our current Resolution No. 442 (Iowa) (copy enclosed), adopted by the 1978 National Convention, reiterated what we were seeking under Resolution No. 360. Based on this resolution, we have several disagreements with PL 95-588, approved November 4, 1978. These are:

Surviving Spouses - our resolution does not support parity between the rates of pension payable to veterans (primary beneficiaries) and to their surviving spouses (secondary beneficiaries), but it does seek the traditional 80 percent relationship.

We asked for a $3100 (1978 dollars) annual rate for the spouse alone, and $4400 for a spouse with one child. PL 95-588 authorized annual rates of $2379 and $3116, both only 67 percent of the annual rates authorized for veterans alone and with a dependent. And the authorized annual rates are substantially below the poverty thresholds of $3140 and $4160 (1978 dollars) for one and two person families, non-farm, in the continental States, established by the Bureau of Census for its Poverty Families count in its Current Population Reports. These thresholds were indexed for April 1978 to reflect the CPI advances since April 1976, the date of the Census Advance Report.

Dependent Child - Legion resolution advanced the annual rate of $3100 (1978 dollars) for each child reduced by any income, earned or unearned. PL 95-588 authorized each child an annual rate of $600, with provision to exclude from annual income determinations, the child's current work income up to the amount of income required before the child must file an IRS Report, currently $2950; and amounts of the child's current work income equal to amounts paid by the child for post secondary educational or vocational training expenses.

Again, it is evident the annual rate is much below what the Legion was advocating, and well below the poverty thresholds.

Special Annual Rate of $800 - our resolution would have authorized a specific rate of pension at age 78; for a veteran alone of $4160 and for one with a dependent of $5920.

PL 95-588 provides for an $800 increment in all annual rates otherwise payable, but restricts this increment only to those whose war service did not entitle them to educational assistance or home loan benefits similar to those presently authorized under chapters 34 and 37 of title 38, USC.

Our objection is applied to the inequitable supposition that all veterans of later wars, WW II, Korea, Vietnam, advantaged themselves of the GI bill.

To us it would be more equitable if the provision were so as to authorize the $800 increase for any veteran of any qualifying war period, who had not used either chapter 34 or 37 entitlements. We are positive that if such programs were available to veterans of wars earlier than WW II, there would not have been 100 percent participation on the part of those who are advantaged by the $800 add-on if found eligible to receive pension under the improved pension program.

For those under the old provisions of section 521 of title 38, USC, the law provided a 25 percent increase for any age 78 or older veteran eligible for disability pension.

Spouse's Income - in our resolution, we supported an amendment that would provide for exclusion of the spouse's income of $2200 of unearned or $7200 of earned, whichever is the greater.

As approved, PL 95-588 includes the spouse's income in the annual income determination as well as that of a child or children unless it is established that the income of the child or children is not reasonably available to the veteran.

While we are extremely dissatisfied with the total inclusion of the spouse's income as the veteran's income, we continue to believe there should be exclusion of the child's income from that of the veteran for the purpose of his pension payment eligibility. We believe our position is fortified by the special current work income provision for children, to which reference is made earlier herein.

Our concern in this area also carries to that part of section 541 which states that the income of a child of the veteran shall be considered income of the spouse if reasonably available to the spouse.

Net Worth - aside from less than irrevocable transfer of estates or portion of estates to create eligibility, the Legion has been opposed to the consideration of others in determinations of entitlement to receive pension benefits. In each case, entitlement should rest on the individual's net worth, and not on that of other family members.

With respect to the purport of your letter as it relates to Social Security Administration programs, we lack jurisdictional experience, since we are barred by internal American Legion policy from involvement in programs that do not pertain to veterans only, or to their dependents and survivors.

With reference to your inquiry as to our opinion as to the feasibility and desirability of a consolidated application form for both veterans and social security benefits, our reaction has to be negative.

It occurs to us that the claimant for VA programs might be confused by the necessity of addressing himself to requirements for more than one benefit on a single form. It has been the longtime and consistent policy of the Legion to seek the "single agency" concept in the administration of veterans benefits. By which we mean that, in our judgment, the veteran and his family fare better when they have to deal only with the Veterans Administration in making application for benefits provided on the basis of military service.

In summary, we should say that the administration of PL 95-588 has only commenced since January 1, 1979. A large percentage of beneficiaries are still in the election process. Also, the first experience with indexing is about to happen, with as yet unknown impact on beneficiaries.

We must add that the new law is generally unpopular with American Legion Service Officers throughout the country. This probably reflects their experience with veterans who are realizing no gain in benefits in view of the revised provisions for counting income, especially that of spouses.

We anticipate that some of the American Legion State Organizations will come to our National Convention in August with proposals for a revised mandate seeking changes in PL 95-588. We will be able to provide GAO with an addendum to our appraisal of the new law following the National Convention, if that should be desired.

Sincerely,

R. E. LYNCH, Director
National Veterans Affairs and
Rehabilitation Commission

Encls.

AMVETS
[illegible]
[illegible]
[illegible] WASHINGTON [illegible]

ABRIEL P. BRINSKY
NATIONAL SERVICE AND
LEGISLATIVE DIRECTOR

May 25, 1979

George D. Peck
Assistant Director
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Peck:

In compliance with your request of April 25, 1979, the following information relating to Public Law 95-588 is furnished.

A canvas of our National Service Officers has disclosed a keen disappointment and complete dissatisfaction with the Improved Pension Act of 1978. In my opinion, much of the critism of the newly enacted law stems from a preconceived misunderstanding.

Most veterans believed that the Improved Pension Act of 1978 would result in across the board raises in rates. The failure to furnish information to the veteran constituency as to the purpose and aims of the legislation resulted in many misconceptions. I quote a comment from one of our National Service Officers, which may be considered as typical: "I believe that we all feel that the veterans organizations have failed the veterans who have yet to apply for pension. In most instances only veterans who will qualify for pension are those who will not get Social Security - those who never worked under Social Security, and to a great extent those who never worked at all. Veterans pension therefore becomes a welfare handout largely to derelicts and in a singular 'face saving' gratuity to needy veterans and widows awarded by a grateful nation to help them exist slightly above the poverty level."

Much of the dissatisfaction with the Improved Pension Act of 1978 arises from the fact that many veterans who would have qualified under Public Law 86-211 do not qualify under Public Law 95-588. The new law, of course, addresses itself to the need concept which is theoretically the basis for the existence of a pension program. But whether one agrees or not with the basic aims of Public Law 95-588, we believe certain modifications are indicated to eliminate apparent inequities.

For example, it seems unreasonable to deny aide and attendance to those who elect to take benefits under Public Law 86-211, where their eligibility thereto arises after January 1, 1979. In addition, the limits for widows alone and children appear to be inadequate, particularly if viewed in a "need" context. Since almost all children are in receipt of Social Security benefits, they exceed the $600 (or $659 after June 1, 1979) limitations.

"LET'S MAKE THE [illegible] ANNIVERSARY OF AMVETS THE GREATEST"

Similarly, the child's income is not always readily available to the veteran and therefore should not be considered in determining the veterans entitlement to pension.

Public Law 95-588 changes the effective date of reduction and termination of pension from the end of the year rule to the end of the month rule where there is an increase in income. This change will result in the creation of many overpayments even where the beneficiary promptly reports. It is not realistic to expect the Veterans Administration to act on each determination on time to avoid overpayments. It would appear, therefore, to be equitable and preferable to terminate the awards effective as of the date of last payment.

Regarding the matter of consolidated applications for both veterans' and Social Security benefits, we are not in favor of the submission of one application. Past experience with a familiar provision in Title 38, United States Code 3005, wherein an application is considered to be a claim for both DIC benefits and Social Security proved to be very unsatisfactory.

We hope that the above comments and observations prove to be helpful to you.

Sincerely yours,

Gabriel P. Brinsky
National Service and Legislative Director

GB:gf

cc: Ray Roberts, Chairman of Committee on Veterans Affairs

VETERANS OF FOREIGN WARS
OF THE UNITED STATES
FOUNDED 1899

OFFICE OF
EXECUTIVE DIRECTOR
WASHINGTON OFFICE

V. F. W. MEMORIAL BUILDING
200 MARYLAND AVENUE N E
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May 10, 1979

Mr. George D. Peck
Assistant Director
Human Resources Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Peck:

Receipt is acknowledged of your letter wherein you solicit our comments with respect to that which you identify as the "Improved Pension Plan" for veterans.

First, permit me to state that we do not believe Public Law 95-588, the "Veterans' and Survivors' Pension Improvement Act of 1978," was either intended or enacted for the benefit of veterans and their survivors. As you may recall, Senator Alan Cranston, the Chairman of the Senate Veterans' Affairs Committee, stated in the Congressional Record of May 4, 1977 that, "It is extremely important that a reform law be enacted now so that a restructured program can be established before the expected wave of World War II veterans enters the pension system." In other words, the intent of the law with its more stringent income levels is to keep World War II and subsequent veterans off the pension rolls unless they are nearly destitute. To accomplish this, some "front money" has been put up to save considerably more money in years to come.

The V.F.W. did, in fact, support H.R. 10173 with certain stipulations and recommendations for a number of improvements and opposed the Senate companion bill, S. 2384. In addition, and only through our concerted effort, were we able to keep out provisions in the Senate bill alien to the pension program when the conferees agreed upon that which became law.

One of our continuing priority legislative goals has been to "support restructuring of the pension program only if substantially more generous than benefits in cash and in kind gratuitously furnished welfare recipients or aliens."

The current assured income level of a veteran alone, counting all income from all sources, is $3550 a year and for a surviving spouse alone $2379. At the same time, the maximum benefits for SSI recipients, including aliens who may not only have done nothing for our nation, but who in the past may not have acted in our best interest, exceeds in several states the assured income for a veteran alone and in many states the assured income for a widow alone. Furthermore, under the SSI program there are exclusions not available to veterans or their survivors. For example, $20 of monthly income from any source such as Social Security benefits and for all aged, blind and disabled recipients, the first $65 of monthly earnings plus one-half of the remaining earnings are disregarded. Although we opposed a provision in S. 2384, which would have made the pension program a social welfare work incentive program rather than a disability program, it is inconeivable that any welfare recipient should be treated more generously by our government than those who served our nation in uniform during periods of war and hostility and their survivors.

Notwithstanding the foregoing, Public Law 95-588 does grant needed increased assistance to those at the very lowest economic level and the "grandfathering" of those choosing to remain under the provisions of Public Law 86-211 made the legislation more palatable.

With respect to your proposal of a consolidated application for both veterans and Social Security benefits, we would oppose this commingling of applications to separate agencies.

If you have further questions, we would be happy to respond thereto and with best wishes and kindest regards, I am

Sincerely,

Holt

COOPER T. HOLT
Executive Director

ESTIMATION METHODOLOGY

SAMPLE SELECTION

All samples were generated from benefit records contained on computer magnetic tapes. In many cases, determining required sample sizes was difficult due to the lack of prior information on the variables to be analyzed. We drew samples of sufficient size to provide reasonable estimates, as reflected in the final results for sampling error and statistical confidence levels. Where computer counts of selected characteristics could be made, our sample sizes were large. In other cases, however, available audit review time to perform detailed analysis of manual supporting records limited sample size.

We selected the samples using a systematic random sampling (interval sample) methodology. By dividing the universe size by the desired sample size, we computed the necessary sampling interval. Using random numbers, we selected a starting point within this interval. We then wrote a computer program to select the record at the random start and subsequent records at the sampling interval.

ESTIMATION METHODOLOGY

Estimates were developed using standard estimation procedures for unrestricted random sampling. Where the population, sample size, and sample statistic supported the assumption of a normal distribution, we used the standard normal variable to compute the estimate. Where this assumption could not be supported, we computed the estimate based on a noncentral distribution.

To determine the annual dollar effects, we extrapolated the monthly amounts from the sample and applied a factor equal to the average number of months benefits were paid during the year.

Estimates and related confidence intervals are shown in the following table:

Estimates and Related Confidence Intervals

(computed at the 95-percent level of statistical confidence)

Description	Population size	Universe estimate	Expected range
A. Social Security and VA Recipients			
1. SSA provided benefit data to VA	1,264,700		
a. Pensioner did not report social security benefit to VA			
Percent		12.78	12.60 to 12.96
Number		161,600	159,400 to 163,900
b. VA overpayments for pensioners who did not report			
Percent		a/6.38	1.52 to 10.76
Number		10,300	5,700 to 17,400
Average monthly dollar amount		b/77.38	-
Total monthly dollar amount		798,300	217,900 to 1,378,700
2. SSA did not provide any data to VA	112,300		
a. SSA had identifying data available to give VA			
Percent		92.18	89.77 to 93.55
Number		103,500	100,800 to 105,100
b. SSA had benefit data available to give VA			
Percent		67.85	64.0 to 71.7
Number		76,200	71,900 to 80,500
(1) Social security benefit correctly reported by pensioner (note c)			
Percent		85.6	82.1 to 89.1
Number		65,200	60,700 to 69,800
(2) Social security benefit incorrectly reported by pensioner (note c)			
Percent		14.4	10.9 to 17.9
Number		11,000	8,200 to 13,700
(a) VA pension was not affected			
Percent		4.45	2.81 to 6.92
Number		3,400	2,100 to 5,300
(b) Effect on VA pension could not be determined			
Percent		1.05	.33 to 2.54
Number		800	300 to 1,900
(c) VA pension was affected			
Percent		8.9	6.42 to 12.09
Number		6,800	4,900 to 9,200
(1) Overpayments of VA pensions			
Average monthly dollar amount		b/22.29	-
Total monthly dollar amount		137,800	126,400 to 149,200
(2) Underpayments of VA pensions			
Average monthly dollar amount		b/35.21	-
Total monthly dollar amount		21,100	100 to 58,200

Description	Population size	Universe estimate	Expected range
B. SSI and VA Recipients			
1. Did not elect improved VA pension (May 1979)	97,500		
a. VA benefit underpaid--pensioners reported SSI benefits as social security benefits			
Percent		2.0	1.0 to 3.8
Number		2,000	1,000 to 3,700
Average monthly dollar amount		b/34.07	-
Total monthly dollar amount		66,300	300 to 143,300
b. VA benefit would not increase if elected improved pension benefits			
Percent		d/40.88	33.72 to 48.04
Number		e/33,800	27,900 to 39,700
c. VA benefit would increase if elected improved pension benefits			
Percent		d/59.12	51.96 to 66.28
Number		e/48,900	43,000 to 54,800
(1) Also SSI benefit would continue			
Percent		f/28.7	-
Number		g/14,000	12,300 to 15,700
d. One spouse receiving VA, both receiving SSI			
Percent		8.23	5.83 to 11.33
Number		e/6,800	4,800 to 9,400
e. One spouse receiving VA, other receiving SSI			
Percent		.25	0 to 1.65
Number		e/200	1 to 1,400
2. Did elect improved VA pension (May 1979)	4,600		
a. VA benefit underpaid--pensioners reported SSI benefits as social security benefits			
Percent		2.76	1.75 to 4.46
Number		100	100 to 200
Average monthly dollar amount		b/62.77	-
Total monthly dollar amount		8,000	3,100 to 13,000
b. One spouse receiving VA, both receiving SSI			
Percent		2.3	1.33 to 4.03
Number		e/600	350 to 1,100
c. One spouse receiving VA, other receiving SSI			
Percent		.92	.22 to 2.35
Number		e/250	50 to 650
d. One spouse receiving VA, neither subsequently receiving SSI			
Percent		1.15	.45 to 2.58
Number		e/300	100 to 700

Description	Population size	Universe estimate	Expected range
C. VA Requests for SSA Data			
1. All requests	1,377,000		
SSA provided data	1,264,700		
SSA did not provide data	112,300		
2. Requests for deceased veterans			
Percent		45.03	37.06 to 53.00
Number		620,100	510,300 to 729,900
Veteran deceased in 1978			
Percent		.10	* to 2.36
Number		1,400	7 to 32,600
Veteran deceased before 1978			
Percent		44.93	36.96 to 52.90
Number		618,700	508,900 to 728,400
(a) SSA provided data			
Percent		46.46	37.78 to 55.13
Number		587,600	477,900 to 697,200
(b) SSA did not provide data			
Percent		28.95	25.23 to 32.67
Number		32,500	28,300 to 36,700
(1) SSA searched using the wrong social security number			
Percent		12.61	9.87 to 15.34
Number		14,200	11,100 to 17,200
D. VA and Black Lung Recipients			
SSA indicated VA pensioner receiving black lung benefits	5,100		
1. Pensioner correctly reported black lung benefits			
Percent		61.45	54.17 to 68.73
Number		3,100	2,700 to 3,500
2. Pensioner incorrectly reported black lung benefits			
Percent		38.55	31.27 to 45.83
Number		2,000	1,600 to 2,300
Average monthy dollar effect on VA pensions		b/84.65	
Total monthly dollar effect on VA pensions		165,400	133,400 to 197,300

*Less than .01 percent.

a/Based on the estimated 161,600 pensioners who did not report their social security benefit to VA.

b/Average for incorrect cases only.

c/Based on the estimated 76,200 pensioners for whom SSA had data available to send VA.

d/Based on a subsample.

e/Estimated number for October 1979. Since sample is from May 1979 population, assumption was made that October 1979 population would exhibit similar characteristics.

f/Based on actual experience, not an estimation.

g/Based on the estimated 48,900 pensioners whose VA benefit would increase, if electing improved VA.

Office of the
Administrator
of Veterans Affairs

Washington, D.C. 20420

Veterans
Administration

APRIL 9 - 1980

Mr. Gregory J. Ahart
Director, Human Resources Division
U. S. General Accounting Office
Washington, DC 20548

Dear Mr. Ahart:

Thank you for the opportunity to review your February 14, 1980 draft report, "VA Improved Pension and Social Security Program--How Do They Compare and How is benefit Data Coordinated?" which resulted from a study requested by the Chairmen of the House and Senate Committees on Veterans' Affairs. The report compares the Veterans Administration (VA) improved pension program and the Supplemental Security Income (SSI) program, and discusses two undesirable features related to them. In addition, the report describes how the VA and the Social Security Administration (SSA) coordinate the delivery of VA pension, social security, Federal Black Lung, and SSI benefits to needy veterans with nonservice-connected disabilities. The recommendations concerning the programs will be addressed in the order they appear in the report.

GAO recommends that I:

--Use the January 1979 SSA annual data exchange information to adjust pension payments as necessary, and recover overpayments and pay underpayments.

The January 1979 SSA annual data were used. This information was input in May 1979 and used to update the amount of monthly social security benefits. Improved pension and parents' Disability Indemnity Compensation (DIC) cases were updated and reviewed again when the SSA furnished us monthly data after the June 1, 1979 cost of living increase of 9.9 percent.

In section 306 and old law pension cases, the VA record retained 1978 income data and did not reflect 1979 income. However, with new verified monthly social security data, these cases, including those exempt, were reviewed and cases terminated if warranted. An exception was made if the case was scheduled for termination on or after January 1, 1979. When new verified monthly social security data were received, the cases which had social security income and which were scheduled for termination, were reviewed to see if the termination should stand. If the termination was no longer valid, a computer-generated message was issued to regional offices to let them know the case should be reviewed.

GAO note: The page references in this appendix may not correspond to the page numbers in the final report.

The improved pension law went into effect in January 1979, and the election notices were sent out in March 1979. Even though the January 1979 SSA annual data were not used until May 1979, a minimal number of overpayments would have resulted since the earliest possible date for issuing a check under the improved pension law would have been April 1979. Any overpayment discovered when the SSA data were used in May would have been recouped by withholding that amount from subsequent checks.

The "end-of-year" rule for section 306 and old law pension cases was in effect for 1978; therefore, increased social security income would not have created an overpayment. At this time our records contain current income information, not 1978 data. Because of this, any review of the cases that might have been underpaid would have to be made manually. In connection with this, we would like to point out that any case in which the rate of payment was adjusted during the 1978/1979 income questionnaire season, a letter was generated to inform the beneficiary of the action and the income used in the determination. If the income information used was not correct, the beneficiaries were responsible for informing the VA.

> --Establish a data exchange to verify Federal Black Lung benefits and review other Federal benefit programs to determine the need for, and feasibility of, obtaining benefit information from other agencies.

We concur. We see the need to verify annuity benefits, other than social security, with other Federal agencies. To this end, we have contacted the SSA and the Department of Labor regarding Black Lung data, the Office of Personnel Management for Civil Service data, and the Railroad Retirement Board for their data. In the interim, we plan to send letters twice a year to improved pension and parents' DIC recipients who have income from other annuities to request a report of their current annuity income, excluding social security.

> --Stop providing records (1) during the annual data exchange on veterans deceased over one year, and (2) during the quarterly exchange for those pensioners who are not SSI recipients.

We do not concur in the recommendation. The VA provides data to the SSA on deceased veteran's accounts, when survivors are receiving VA pension benefits, to verify the veteran's social security number (SSN), not for any verification of payment data. The verified numbers are then used to assist in identifying the surviving spouses's SSA record, and to obtain payment data on the social security account for the survivors. SSA payments to the veteran's survivors affect VA death pension entitlement. The disclosures help identify the correct amount of VA benefits to be paid to surviving spouses.

The memorandum of understanding now being developed between the VA and the SSA will result in an ongoing cyclical interchange and will eliminate the need for a total file bank review of all VA compensation and pension accounts to identify SSI recipients. We expect this interchange will be implemented during the first quarter of calendar year 1981. This memorandum of understanding is being reviewed by the SSA and we are awaiting their approval. Pending approval of the VA/SSA proposed memorandum of understanding and additional programming modifications, this GAO recommendation could be implemented only at the cost of missing many dual payees. The SSI indicator codes in VA records, referred to on page 41, are not current. Moreover, it is our understanding that the SSA could identify VA recipients only by asking the recipient or the VA for this information. Consequently, it appears that the recommendation that the VA give SSA less than a complete computer run could presently be replaced only by SSA giving the VA all SSI recipients, if complete cross-checking is to continue.

GAO also recommends that the Commissioner of the Social Security Administration and I

--take necessary action to resolve identification problems in the annual data exchange which prevents benefit data on a large number of SSA-VA recipients from being provided to VA for use in verifying the accuracy of information being provided by pensioners.

We concur. New VA Regulation 575 (38 Code of Federal Regulations (CFR), section 1.575) requires verification of a claimant's SSN prior to the award of VA income based benefits. VA manual, M21-1, paragraphs 7.13, 9.02, 9.41, 22.13c, and 32.16d, has been revised to reflect these requirements. Additional manual changes will be made, as needed, to require the solicitation of necessary information from the claimant when it is not available from the VA-SSA interface. This verification will help ensure that when data are required from the SSA, all records can be properly identified. When the verification of SSN's and the cyclical interchange are implemented, both agencies will have complete and accurate data without exchanging unnecessary records.

While reviewing this report, my staff found several areas where relatively minor changes are needed for the sake of accuracy and/or clarity. Those portions we believe should be revised follow in order of appearance in the report. These comments are directed toward the accuracy of your account of the legislative history and technical provisions of Public Law 95-588, the "Veterans' and Survivors' Pension Improvement Act of 1978."

Page 1, second paragraph, contains a misstatement which is found again on page 2 (mid-page), page 9 (first sentence), the bottom of page 14 and the top of page 15. The clear inference is that the Congress intended, by its enactment of improved pension, to assure veterans and their survivors combined incomes in excess of the minimum standard of need. In our proposal for pension reform we recommended that the rates be restructured to assure all veteran and surviving spouse pensioners incomes at the level of the national minimum standard of need. (Veterans Administration, 95th Congress, 2d Session, Analysis and Evaluation of the Nonservice-Connected Pension Program 401, 405 (Committee Print 1978).) While VA's and other early versions of the reform proposals included rates for surviving spouses at or above the minimum standard, the Conferees who worked out the final version of H.R. 10173, 95th Congress, were well aware that by limiting maximum rates for surviving spouses to only two-thirds the rates for veteran pensioners, the former would not be assured incomes at the minimum need standard. The result was not achieved through inadvertence. There were many reasons for the pension reforms proposed by the VA and the Congress. Some of the reasons were mentioned in the first paragraph of Appendix I, page 49, and we believe a conforming revision to the first full paragraph on page 2 should be considered. [See GAO note 1.]

The first full paragraph on page iv contains the sentence, "We estimate $14.5 million of inaccurate pension payments were made, principally in 1978." Clarification of the time frame over which these inaccuracies allegedly occurred should be supplied. Also, inasmuch as no improved pension payments were made in 1978, there is some question about the relevance of this statement. [See GAO note 2.]

We realize that this draft report was written before the March 9, 1980 agreement among Conferees on H.R. 3434, 96th Congress, to file a report. However, because that report, whose chances for enactment and signature into law are considered good, contains a provision which will obviate the problem of "forced" elections of improved pension by certain SSI recipients, extensive references to this problem should be revised. Examples are the first full sentence on page v, the second paragraph on page 18, near the bottom of page 23, from mid-page 26 through the first paragraph on page 32, and the last paragraph on page 33. [See GAO note 3.]

In the context of what precedes it, the statistic in the last sentence, first full paragraph on page 4, would seem to include only improved pension cases in which elections had been made; however, it appears that both election and new cases are included. This needs to be clarified. Also, SSI; Old-age, Survivors, and Disability Insurance; and Black Lung program descriptions on pages 4-6 should briefly indicate the extent, if any, to which receipt of improved pension affects entitlement under those programs. [See GAO note 4.]

The footnote on page 10 seems to infer that the prior law pension programs were not need-based. It should be revised to indicate that, like the prior law programs, the improved one is based upon financial need, although the new program permits fewer exclusions in determining countable income. [See GAO note 5.]

The first full sentence on page 13 is clear only if describing maximum improved pension rates versus maximum SSI awards. Since the supplemental state payments are primarily for the aged, blind, and disabled, it is inapt to compare the combined SSI rates with the basic VA pension rate. A more appropriate comparison would be with higher rates of pension payable to those who are housebound or in need of aid and attendance, and the higher rates for veterans of World War I and the Mexican border period. It may be that maximum SSI rates never exceed these maximum pension rates. [See GAO note 6.]

The table at the bottom of page 13 refers to a $66 per month improved pension payment to an "individual in medical treatment facility." This statement does not reflect current law. We assume that the reference is to 38 United States Code, section 3203(a)(1)(A) and (B), which provides for the reduction of improved pension benefits to $60 per month after a veteran, without dependents, has been furnished domiciliary, hospital or nursing home care by the Veterans Administration for specified periods of time. In addition to amending the figure ($60), we suggest a footnote to the following effect be added: "Reduced rate applicable only to veterans, without dependents, after VA has furnished domiciliary, hospital or nursing home care for specified time periods. Full monthly rate restored upon discharge from VA care." [See GAO note 7.]

The second full sentence on page 35 is: "Before 1977, VA had no systematic method for independently verifying income information on these questionnaires, such as social security benefits." This statement slights pre-1977 VA procedures for income verification under 38 United States Code, section 506(a), (1976), authorizing VA to "require from any person applying for, or in receipt of, pension thereunder such information, proofs, or evidence as the Administrator desires in order to determine the annual income and the corpus of the estate of such person." VA field station personnel of the Department of Veterans Benefits were provided procedural directives delineating the circumstances warranting submission by pensioners of third-party verification of annual income. Similar authority and directives are currently in effect. Also, selected benefit data were obtained from the SSA prior to 1977, subject to certain Privacy Act limitations. [See GAO note 8.]

The table on page 57 indicates (at mid-page) that the housebound or aid and attendance considerations in the improved pension program amount to "add ons," when in fact such a status simply affects the maximum pension rate to which a pensioner is entitled. These special rates are subsumed within the category "VA pension," and should not be listed separately. [See GAO note 9.]

The concluding sentence of the second paragraph, page 62, indicates that the improved pension program is somehow deficient for its failure to provide work incentives. Since the program is intended to remunerate only permanently and totally disabled veterans, the suggestion that work incentives should be provided them is inappropriate. Nonetheless, the improved program's drafters did include a provision to remove any disincentive to pursuing vocational rehabilitation. There is excluded from a veteran or surviving spouse's income, for entitlement purposes, amounts equal to amounts paid for courses of education or vocational rehabilitation or training. In addition, should such veteran or surviving spouse be in need of regular aid and attendance, the amounts paid, in excess of normal transportation costs, for transportation in connection with the pursuit of such course of education, vocational rehabilitation, or training are excluded in determining countable income. In the case of a child recipient, an amount up to $3,300 of earned income is excluded from countable income. [See GAO note 10.]

The last sentence on page 64 could lead one to believe that alcoholism and drug addiction are "disabilities" which give rise to improved pension eligibility. Primary alcohol or drug addition *per se* is considered to be a disability due to "willful misconduct," and hence as not giving rise to entitlement. See 38 United States Code, section 521(a); 38 CFR, section 3.301(2),(3). However, any organic disability secondary to the primary addictive condition, if of sufficient severity, can give rise to pension entitlement. This should be clarified. [See GAO note 10.]

We hope you will give favorable consideration to the requested changes.

Sincerely,

Deputy Administrator • in the absence of

MAX CLELAND
Administrator

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GAO notes

Pertinent parts of the VA comments on the recommendations in the draft report and our evaluation of the comments are shown in the body of the report. The disposition of VA's other comments are shown in the following notes.

1. We have clarified in the text of the report that the conferees who worked out the final version of H.R. 10173, 95th Congress, were well aware that by limiting rates for surviving spouses to only two-thirds the rates for veteran pensioners, the former would not be assured incomes at the minimum need standard. Also, we have added the conforming revision that VA has suggested.

2. We estimated $14.5 million of inaccurate pension payments were made. This consisted of $14.4 million in 1978 for section 306 and old law pensioners. The remaining amount related to improved pensions in 1979. Our efforts in reviewing coordination through automated data exchanges were made for all pensioners, not just improved pensioners, and was oriented toward improved use of SSA data to adjust pension data.

3. The final report recognizes that on June 17, 1980, Public Law 96-272 was enacted giving certain SSI-VA recipients a choice in this matter.

4. The statistic of veterans and their survivors receiving improved pension benefits has been separated and clarified in the final report to avoid giving the impression that the figure represented just those who elect such benefits. Also, the effect of improved pension benefits on all SSA programs in the report has been clarified.

5. The VA comments were incorporated in the final report for clarity.

6. We revised the section to which VA referred to show that we are, indeed, referring to maximum veterans and survivors and Federal SSI benefits. While this approach is simplistic, it leads to the following sentence which lets the reader know that it is possible for SSI recipients, because of State supplementation benefits, to receive more than veterans and survivors.

7. The table in the draft report was revised in the final report for clarity.

8. In the final report, we have recognized VA's comments by including them in the text of the report and clarifying our original comment by relating it to the large scale verification tests that are presently occurring with SSA.

9. The final report was revised to avoid VA aid and attendance and housebound allowances being subsumed to the category of VA pension.

10. The VA comments were incorporated in the final report for clarity.

(105071)